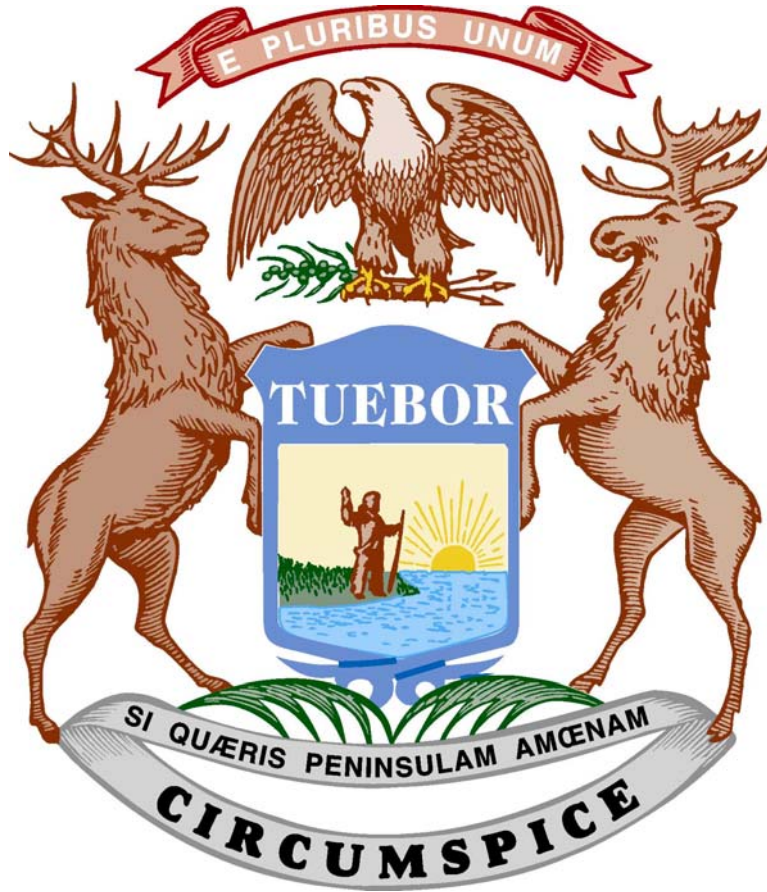
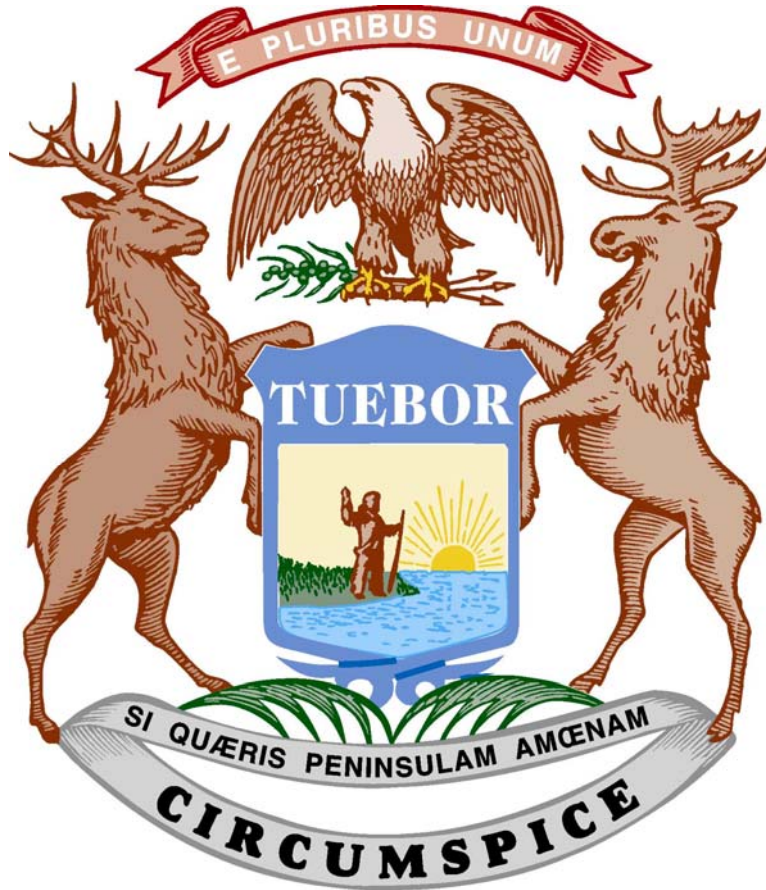


**MICHIGAN'S
INDIVIDUAL INCOME TAX
2002**



**Michigan Department of Treasury
Office of Revenue and Tax Analysis
June 2004**

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I. EXECUTIVE SUMMARY

Returns and Revenue

For tax year 2002, Michigan's personal income tax generated \$5.3 billion in state revenues after all credits and refunds were paid.

Net revenue decreased \$464 million (-8.0 percent) from 2001 levels as a result of the sluggish economy, a declining stock market, and a rate cut. Adjusted gross income (AGI) decreased by \$9.5 billion (-4.3 percent) from 2001 to 2002.

About 4.4 million returns were filed for the 2002 tax year, or 50,300 fewer filers (-1.1 percent) than the previous year.

Although the personal income tax was levied at a nominal flat rate of 4.1 percent in 2002, the effective tax rate varied from negative 16.1 percent for filers with an AGI under \$2,000 to positive 3.4 percent for taxpayers with an AGI between \$130,000 and \$500,000. The overall effective tax rate was 2.5 percent. The negative effective rates for lower incomes arise because some taxpayers receive net payments from the state, due principally to the refundable credits for property taxes and home heating expenses.

Interstate Comparisons

For fiscal year 2002, Michigan's income tax revenue is below the national average, both as a percentage of personal income and on a per capita basis. Michigan ranks 34th highest and 26th highest, respectively. Compared to the average for the 41 states with a general income tax, Michigan's income tax revenue is 24 percent below average on a per capita basis, and 22 percent below average as a percent of personal income.

Property Tax Credit

About 1.4 million Michigan homeowners, renters, and farmers received \$714 million in property tax credits, including farmland preservation credits, for 2002. The average property tax credit was \$518. Excluding farmland preservation credits, the average property tax credit for tax year 2002 was \$498. The total amount of property tax credits, including farmland preservation credits, increased by over \$106 million (17.5 percent) with 115,800 more taxpayers benefiting compared to tax year 2001.

Senior citizens received about \$284 million in homestead property tax credits, an increase of \$38 million from tax year 2001. For the almost 410,000 senior citizens receiving homestead property tax credits, the average credit was \$692.

Home Heating Credit

Home heating credits totaled \$69 million for tax year 2002 with about 335,900 households qualifying for an average credit of \$205. Home heating credits increased \$7.3 million from 2001 while approximately 20,700 more taxpayers claimed the credit.

Adoption Credit

This credit became effective for tax year 2001, and it has a maximum of \$1,200 per adopted child. In tax year 2002, a total of \$1.4 million in adoption credit was claimed by 1,100 taxpayers, resulting in an average credit of \$1,266, reflecting a number of taxpayers receiving the credit for multiple adoptions.

City Income Tax Credit

In 2002, city income tax credits were claimed by almost 1 million taxpayers amounting to \$34 million in total credits. This was a decrease of \$2.6 million from the prior year, with 67,000 fewer taxpayers claiming the credit.

Public Contribution Credit

Michigan taxpayers claimed \$24.5 million in credits for contributions to Michigan colleges, libraries, museums, and public broadcasting stations for tax year 2002. This was a decrease of \$244,300 over tax year 2001, with 6,300 fewer taxpayers claiming this credit.

Community Foundation Credit

For tax year 2002, about 27,700 taxpayers claimed \$2.6 million in community foundation credits. This figure represents an increase of \$100,000 over tax year 2001, with 730 more taxpayers claiming the credit.

Homeless Shelter/Food Bank Credit

About 198,300 taxpayers claimed homeless shelter/food bank credits totaling \$15.4 million for tax year 2002. Compared with tax year 2001, this represented an increase of \$607,000 with an additional 5,500 taxpayers claiming a credit.

College Tuition Credit

For tax year 2002, 51,500 taxpayers claimed \$5.1 million in tuition credits. Compared with tax year 2001, this was a decrease of \$3.0 million with 23,100 fewer taxpayers claiming a credit.

Historical Preservation Credit

For tax year 2002, 200 taxpayers claimed \$800,000 in historic preservation credits. Compared with tax year 2001, this was an increase of \$530,000 with 50 additional taxpayers claiming a credit.

Use Tax Payments

Starting in tax year 1999, taxpayers were asked to remit use tax payments along with their personal income tax returns. In 2002, 70,600 taxpayers paid \$2.9 million in use tax, unchanged from the 72,900 taxpayers who made a payment on their 2001 return.

Tax Law Changes

Public Acts (PA) 1 through 6 of 1999 reduced the Michigan income tax rate over a period of five years from 4.4 percent to 3.9 percent, beginning in tax year 2001. The tax rate for 2001 was further reduced to 4.2 percent by PA 40 of 2001. The tax rate for 2002 was 4.1 percent. The tax rate for 2003 was 4.0 percent, and under PA 239 of 2003, the rate is scheduled to drop to 3.9 percent on July 1, 2004.

Since October 1, 1996, 23 percent of income tax gross collections before refunds have been allocated to the School Aid Fund (SAF). Beginning January 1, 2000, the percentage of gross collections earmarked to the SAF will equal 1.012 percent divided by the income tax rate. The new formula will increase the percentage of income tax revenues allocated to school aid as the income tax rate declines, and ensure that the income tax rate cut reduces General Fund/General Purpose (GF/GP) revenues, but not SAF revenues.

PA 21 of 2003 provides that, starting in October 1, 2003, nonresident taxable income includes winnings at Michigan casinos and winnings from pari-mutuel wagering at licensed horse racing meetings.

Starting in tax year (TY) 2003, certain special assessments levied throughout a township, except in a village located in the township, will be included in total property taxes for the calculation of homestead property tax credits, under PA 28 and 29 of 2003.

PA 239 of 2003 delayed the 0.1 percentage point (p.p.) reduction of the income tax rate by six months.

II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax for tax year 2002. It is based on returns filed and processed in calendar year 2003.

Section III reports the history of the Michigan individual income tax. Section IV presents an overview of the number of taxpayers, revenue collections, refunds, and effective tax rates. Section V details the major income tax credits, while Section VI discusses the designated contributions listed on the personal income tax form. Section VII compares Michigan's personal income tax to the income taxes levied by other states. Section VIII lists the geographic pattern of revenue and credits by county.

The Michigan income tax builds on the federal income tax, specifically federal AGI. As such, changes in federal law that alter the calculation of AGI will generally have an impact on the Michigan income tax base and revenues. Section IX summarizes the significant changes in federal income tax law since the landmark Tax Reform Act of 1986 and how those changes affect Michigan's income tax base. Section X summarizes the Michigan Public Acts since 1999 that amended the Michigan Income Tax Act.

Section XI contains tables and charts presenting detailed data on returns, exemptions, credits, revenue, and effective tax rates.

III. HISTORY OF THE MICHIGAN INDIVIDUAL INCOME TAX

The Michigan individual income tax became effective on October 1, 1967, under PA 281. The tax was enacted to help eliminate a state budget deficit. When originally enacted, the state income tax was levied at 2.6 percent and allowed a \$1,200 exemption per person. On August 1, 1971, the personal income tax rate was raised to 3.9 percent. In 1973, the personal exemption was raised from \$1,200 to \$1,500, and the homestead property tax credit was established. The income tax rate rose to 4.6 percent on May 1, 1975, to replace revenue lost from the exemption of food and prescription drugs from the state sales tax. Although scheduled to be rolled back to 4.4 percent on July 1, 1977, the state income tax rate was permanently set at 4.6 percent in 1977.

Michigan suffered from budget deficits in the early 1980s due to an economic recession. In response, the state income tax rate was raised to 5.6 percent between April 1 and September 30, 1982. In 1983, the income tax rate was increased to 6.35 percent. In 1984, the income tax rate was lowered to 5.85 percent and to 5.33 percent in 1985. In 1986, the rate was lowered back to 4.6 percent. The rate was lowered to 4.4 percent on May 1, 1994, following the passage of the property tax reform package known as Proposal A. For the 1995 tax year only, the Headlee Amendment Refund reduced the income tax liability of all Michigan taxpayers by 2.0 percent. Effective January 1, 2000, the income tax rate declined to 4.2 percent and remained at that rate throughout 2001. The income tax rate declined by 0.1 percentage point in 2002 and again in 2003, and will decline by 0.1 percentage point in July 1st, 2004, bringing the rate to 3.9 percent thereafter. (For a complete list of average Michigan Individual Income tax rates since 1968, see Exhibit 23 on page 54.)

The Michigan individual income tax is based on federal AGI with additions (principally interest on obligations issued by other states) and subtractions (including income from U.S. Government bonds, military pay, social security benefits, most pension income, and income attributable to another state). Therefore, changes in federal tax law can affect Michigan income tax collections. The broad changes in AGI effected by the Tax Reform Act of 1986 significantly increased the Michigan income tax base. In response, the personal exemption was gradually increased from \$1,500 in 1986 to \$2,100 in 1990, a 40 percent overall increase. PA 2 of 1995 increased the personal exemption to \$2,400 for tax years 1995 and 1996. The exemption increased to \$2,500 in 1997 and PA 3 of 1995 indexed the personal exemption to inflation with the personal exemption rounded to the nearest \$100 after tax year 1997. PA 86 of 1997 increased the personal exemption by an additional \$200 starting in tax year 1998.

In 2002, a \$3,000 per person personal exemption was allowed, while an extra \$1,900 exemption was provided for senior citizens, filers with certain disabilities, and filers receiving at least 50 percent of their AGI from unemployment compensation. As in 2001, the child exemption was \$600 per child age 18 years and under, while the (claimed as) dependent exemption remained at \$1,500. The following table summarizes the major changes in the Michigan individual income average annual tax rate and allowed exemptions since 1992.

Michigan Individual Income Tax Exemption Allowances

<u>Tax Year</u>	<u>Average Rate</u>	<u>Personal Exemption</u>	<u>Claimed as Dependent Exemption</u>	<u>Special Exemptions</u>			<u>Child Exemptions</u>		
				<u>Senior</u>	<u>Blind or Disabled **</u>	<u>Deaf **</u>	<u>Unemployment Compensation</u>	<u>Age 6 and Under</u>	<u>Age 7 to 12 *</u>
1992	4.60%	\$2,100	\$1,000	\$900	\$900	\$900	\$900	na	na
1993	4.60%	2,100	1,000	900	900	900	900	na	na
1994	4.47%	2,100	1,000	900	900	900	900	na	na
1995	4.40%	2,400	1,000	900	900	900	900	na	na
1996	4.40%	2,400	1,000	900	900	900	900	na	na
1997	4.40%	2,500	1,000	900	900	900	900	na	na
1998	4.40%	2,800	1,000	900	900	900	900	600	300
1999	4.40%	2,800	1,000	900	900	900	900	600	300
2000	4.20%	2,900	1,500	1,800	1,800	1,800	1,800	600	600
2001	4.20%	2,900	1,500	1,900	1,900	1,900	1,900	600	600
2002	4.10%	3,000	1,500	1,900	1,900	1,900	1,900	600	600
2003	4.00%	3,100	1,500	1,900	1,900	1,900	1,900	600	600
2004	3.95% ***	3,100	1,500	2,000	2,000	2,000	2,000	600	600

* Starting tax year 2000, includes children ages 7 to 18.

** Starting tax year 2000, both exemptions were combined.

*** Tax rate equals 4.0% through June 2004, then it decreases to 3.9% thereafter.

The Michigan individual income tax is a flat rate tax. The Michigan Constitution prohibits graduated income tax rates. Proposals to allow graduated rates were defeated by voters in 1968, 1972, and 1976. A degree of progressivity is achieved with exemptions and credits, such as the homestead property tax and home heating credits. These provisions help to make the tax less burdensome on low income taxpayers. For tax year 2002, credits were provided for property taxes, home heating expenses, qualified adoption expenses, city income taxes, taxes paid to another state, tuition paid to qualified Michigan colleges, qualified expenses made to rehabilitate historic resources, and contributions to Michigan public colleges, museums, etc, and to community foundations, and food banks. (See Chapter V, on page 15.)

A portion of income tax revenues is earmarked to the SAF with the remainder distributed as GF/GP revenues. Beginning in fiscal year 1996-97, 23 percent of gross income tax collections were statutorily allocated to the SAF with the remainder of net income tax revenue allocated to GF/GP. The percentage of gross income tax collections earmarked to the SAF changed for tax years beginning after 1999 to equal 1.012 percent divided by the income tax rate. For tax years 2000 and 2001, the income tax rate of 4.2 percent resulted in the earmarking percentage rising to approximately 24.1 percent. The lower rates of 4.1 and 4.0 percent in tax years 2002 and 2003 resulted in an increase of the earmarking percentage to about 24.7 and 25.3 percent, respectively.

IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX

For tax year 2002, about 4.4 million MI-1040 returns were filed, 50,300 less than in 2001. (See Exhibit 1.) An additional 233,500 “credit-only” returns were filed for 2002. These returns claim only a refundable tax credit, such as a property tax credit, or a home heating credit, without filing a MI-1040. For tax year 2002, 51,700 returns claimed only a home heating credit, 52,900 claimed only a property tax credit, and 64,500 claimed a combination of both refundable credits.

The personal income tax generated \$5.3 billion in net revenue for tax year 2002, which is total revenue after all credits and refunds are paid. Income tax revenues decreased \$464.2 million (-8.0 percent) from 2001. The decrease in income tax revenues was primarily associated with the sluggish economy and the sharp decline in capital gains, which led to a reduction of \$9.5 billion in AGI (-4.3 percent) from 2001 to 2002¹, and a cut in the tax rate from 4.2 percent to 4.1 percent.

Exhibit 1
Fifteen-Year History of Income Tax Rates and Revenue

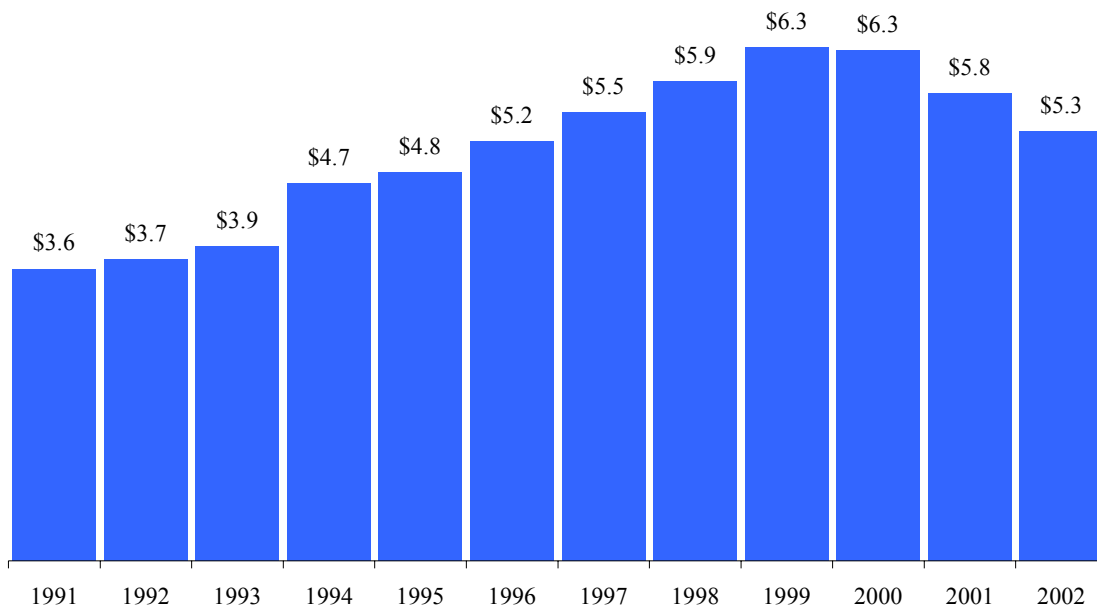
<u>Year</u>	<u>Number of 1040s Filed</u>	<u>Adjusted Gross Income</u>	<u>Average AGI</u>	<u>Nominal Rate</u>	<u>Average Effective Rate</u>	<u>Revenue</u>
1988	3,880,300	\$116,315,971,600	29,976	4.60%	2.95%	\$3,436,724,700
1989	3,977,900	124,400,414,100	31,273	4.60%	2.88%	3,579,951,000
1990	4,022,300	127,897,387,600	31,797	4.60%	2.85%	3,647,260,200
1991	4,011,600	131,533,587,500	32,788	4.60%	2.74%	3,607,799,000
1992	3,984,600	134,802,283,400	33,831	4.60%	2.77%	3,730,007,100
1993	4,034,000	141,599,188,400	35,101	4.60%	2.75%	3,888,847,900
1994	4,123,200	153,895,394,200	37,324	4.47%	3.03%	4,668,579,100
1995	4,214,300	167,307,933,535	39,700	4.40%	2.87%	4,794,937,300
1996	4,260,200	180,087,338,060	42,272	4.40%	2.88%	5,177,919,400
1997	4,308,575	190,806,002,405	44,285	4.40%	2.90%	5,540,653,500
1998	4,350,006	205,229,640,000	47,179	4.40%	2.88%	5,919,624,100
1999	4,414,720	222,092,788,315	50,307	4.40%	2.86%	6,343,222,500
2000	4,511,561	235,714,626,207	52,247	4.20%	2.68%	6,313,315,900
2001	4,456,031	222,960,889,578	50,036	4.20%	2.59%	5,774,007,800
2002	4,405,687	213,455,154,939	48,450	4.10%	2.49%	5,309,790,100

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

¹The AGI above includes returns reporting a negative AGI totaling a negative \$2.5 billion. AGI data for these returns were not available prior to 1997. The data for negative AGI returns are included throughout this report unless otherwise noted.

The number of income tax returns and tax revenues both generally increase when the economy expands and decrease during a recession, such as in 1991 and 2002. Changes in AGI reflect both economic growth and changes in the definition of federal AGI. For example, ending the 60 percent deduction for capital gains and including all unemployment benefits increased AGI beginning in 1987. Exhibit 2 provides a graphical representation of Michigan individual income tax annual collections since 1991.

Exhibit 2
Annual Collections from Michigan Individual Income Tax
(billions of dollars)

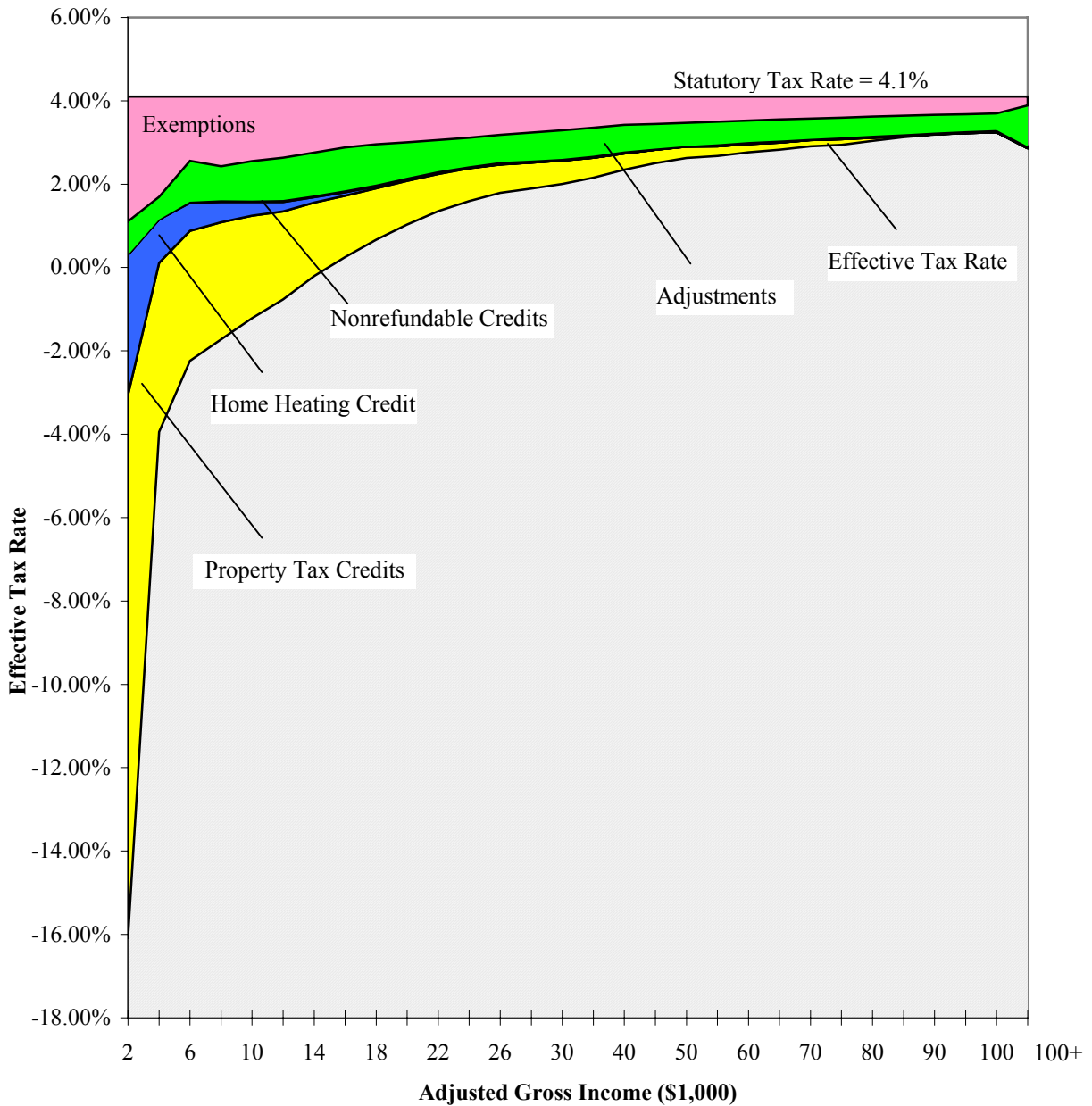


Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Even though the nominal personal income tax was levied at a flat 4.1 percent in 2002, exemptions and credits helped to lessen the relative burden on taxpayers with lower AGIs. As shown in Exhibits 3, 10 and 11 (see pages 9, 37 and 38, respectively), the effective tax rate varied from negative 16.1 percent for taxpayers in the \$0 - \$2,000 AGI group, to positive 3.4 percent for taxpayers with an AGI between \$130,001 and \$500,000. The effective rate for taxpayers with an AGI above \$1,000,000 was 1.4 percent, lower than the peak of 3.4 percent. The reason for this lower rate is because the above \$1,000,000 AGI group includes a disproportionate large number of nonresidents with relatively low Michigan income compared to their total AGI, affording them large subtractions for income not taxable in Michigan, and consequently lower taxable income and effective rate. Resident taxpayers included in that AIG group are also more likely than resident taxpayers in other AGI groups to have part of their income from business activities outside of Michigan, resulting in their Michigan tax base being lower than their AGI. Overall, the effective tax rate was 2.5 percent rather than the nominal rate of 4.1 percent. Taxpayers with AGIs of less than \$10,000 on average received net payments

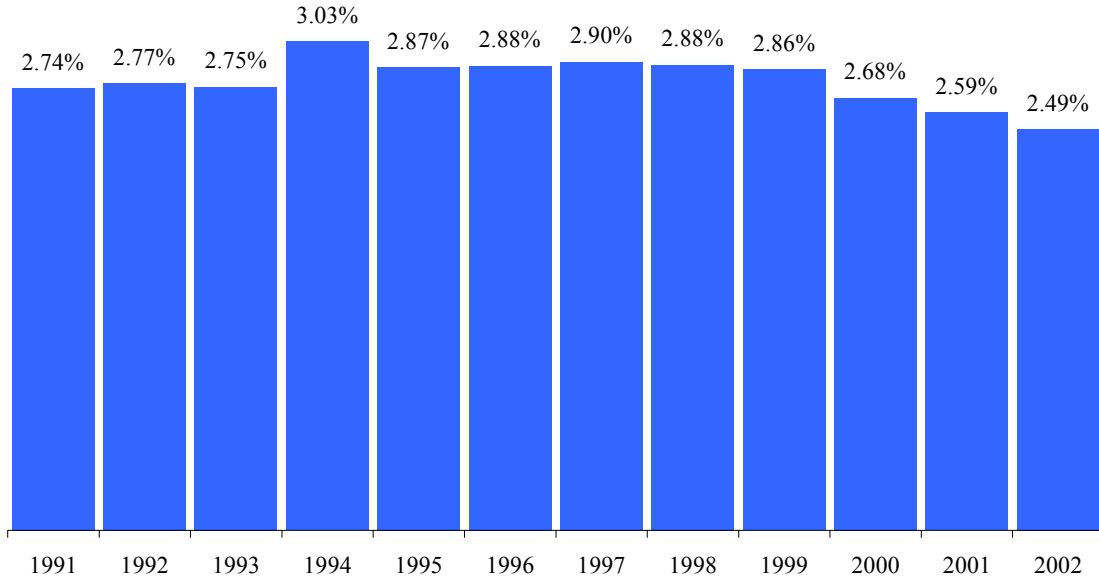
from the state, mostly due to the refundable credits for property taxes and home heating expenses. The effective rates in Exhibits 10 and 11 were calculated before the deduction of the farmland credit, because the distribution of these credits by AGI is not available. In 2002, farmland credits totaled \$31.6 million. Subtracting these credits reduces the effective rate by a marginal amount. Exhibit 4 reports average effective rates.

Exhibit 3
Effective Income Tax Rates, 2002



Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 4
Individual Income Tax
Effective Tax Rate



Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

The average effective tax rate in 2002 decreased to 2.49 percent, compared to an average of 2.88 percent calculated for the 1995-1999 period, when the tax rate was 4.4 percent. Over the 1991-2002 period, the highest average effective rate was 3.03 percent in 1994, and the lowest average was 2.49 percent in 2002. The high average in 1994 results from the dramatic decline in homestead property tax credits, since property taxes across the state fell as a result of Proposal A². The low average rate in 2002 results from a combination of lower tax rate, increased and expanded credits and deductions, and more taxpayers qualifying for bigger credits as their AGI declined.

Exhibit 12 (see page 39) details the effects of the personal exemption, various adjustments, and credits on the distribution of the Michigan income tax burden. The personal exemption and property tax credit were the major provisions that reduced the effective tax rate. In addition, the personal exemption, property tax credit, and home heating credit make Michigan's income tax more progressive, since these provisions decline as a percentage of AGI as income increases. The nonrefundable credits, which include the city income tax, college tuition, and college contribution credits, have a more proportional effect on income. Exhibit 3 (see page 9) reveals the influence of the various exemptions and credits on the effective tax rate and illustrates the data in Exhibit 12 (see page 39). As a percentage of income, the \$3,000 personal exemption and

² For more information on the impact of Proposal A, see Office of Revenue and Tax Analysis, *Proposal A: A Retrospective*, December 2002, at www.michigan.gov/treasury.

property tax credit benefit lower income taxpayers the most, while reducing the effective tax rate for most taxpayers.

Michigan taxpayers claimed almost 8.8 million personal exemptions for 2002. Since the total exemption amount for some taxpayers is greater than their income, not all exemptions were used at lower income levels. In the lowest income groupings, the exemptions and child deductions offset all income. As noted in Exhibit 10 (see page 37), there were an estimated 7.8 million effective personal exemptions, i.e., exemptions that actually offset income. The effective exemptions for 2002 were calculated assuming all personal exemptions, special exemptions, and all child deductions were equally likely to offset taxable income. In years prior to 1999, the value of the special exemptions was included in the calculation of the number of effective personal exemptions, resulting in a higher estimate than the 2002 total.

Michigan taxpayers claimed over 1 million special exemptions for tax year 2002. About 86.2 percent of the special exemptions were claimed by senior citizens. Michigan families also claimed 2.5 million deductions for children age 18 and under. Exhibits 13 and 14 (see pages 41 through 43) present distributions of all the exemptions claimed for tax year 2002 by income group. The number of special exemptions or child deductions that actually offset taxable income for each income group can be estimated by dividing the number of effective exemptions listed for that income group in Exhibit 10 (see page 37) by the number of claimed exemptions, and then multiplying that quotient by the number of exemptions/deductions in Exhibit 14 (see page 43). For example, the number of effective deductions for children age 18 and under in the \$30,001 to \$35,000 income group would be estimated by dividing 407,399 by 454,977 and then multiplying the result (0.8954) by 121,159. The result is an estimate of 108,489 effective deductions.

Married taxpayers filing jointly reported 69.1 percent of AGI and paid 72.3 percent of the Michigan income tax. Married couples tend to be older and earn higher wages, due to greater accumulated human capital. Human capital includes formal education plus skills acquired through work experience and on-the-job training. Couples also have an additional potential worker. The Michigan income tax does not have a “marriage penalty” or “marriage bonus” as potentially exists with the federal income tax. The following table summarizes the distribution of Michigan returns and net tax liability by filing status. Note that the total tax liability does not include refundable income tax credits claimed by individuals not required to file a Michigan income tax return.

2002 Income Tax Return Distribution by Filing Status

<u>Filing Status</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Single	2,499,214	\$63,249,987,547	\$1,439,068,106
Married filing jointly	1,848,960	147,588,598,696	3,921,676,315
Married filing separately	<u>57,513</u>	<u>2,616,568,696</u>	<u>61,370,703</u>
Totals	4,405,687	\$213,455,154,939	\$5,422,115,124

The Michigan income tax is paid almost exclusively by Michigan residents. Non- or part-year residents pay less than 3 percent of the income tax. The table below summarizes the distribution of Michigan returns and net tax liability by residency. While nonresidents report \$16.9 billion in AGI, they claim subtractions totaling \$15.7 billion, mostly for income not taxable in Michigan.

2002 Income Tax Returns Distribution by Residency

<u>Residency</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Resident	4,254,602	\$192,279,530,537	\$5,280,022,787
Part-year resident	79,717	4,261,492,595	70,144,458
Nonresident	<u>71,368</u>	<u>16,914,131,807</u>	<u>71,947,879</u>
Totals	4,405,687	\$213,455,154,939	\$5,422,115,124

Exhibit 26 (see page 57) presents estimates of the growth of Michigan personal income from 2001 to 2002. The U.S. Bureau of Economic Analysis prepared these estimates. While personal income grew 2.5 percent overall, the strongest growth was in the adjustment for residence (22.2 percent), followed by growth in transfer payments (11.1 percent), proprietor's income (6.4 percent), and other labor income (6.0 percent). Wage and salary disbursements remained almost unchanged, increasing a slight 0.1 percent.

The Michigan tax data overstate the aggregate effective tax rate, since taxpayers who itemize deductions on their federal returns may deduct their state income tax payments. Federal data for tax year 2002 is not available, however, data available for tax year 2001 shows that 37.2 percent of Michigan taxpayers itemized deductions on their federal income tax returns.³ With federal deductibility, taxpayers offset part of their state income tax with a lower federal tax liability. For example, taxpayers in the 28 percent federal income tax bracket who itemized would have up to 28 percent of their state income tax offset by lower federal income tax liability. Federal deductibility provides greater benefits to taxpayers with higher incomes, since higher income people are both more likely to itemize their deductions and face higher marginal tax rates. For 2002, 94.6 percent of Michigan taxpayers reporting an AGI of \$100,000 or more itemized their deductions, while 43.1 percent of taxpayers with an AGI between \$20,000 and \$75,000 itemized. While providing relief for some taxpayers, federal deductibility reduces the progressivity of the Michigan income tax.

³Information on itemized deductions was obtained from the Internal Revenue Service, Individual Tax Statistics on State Income (April 2003 Michigan, Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Tax year 2002. Expanded Unpublished Version). It includes tax year 2001 returns that were filed after December 31, 2002, for those taxpayers who were granted an additional extension of time to file because of the events of September 11, 2002.

Michigan income tax revenues are slightly income inelastic. Elasticity is a concept economists use to describe the responsiveness of one variable, in this case net tax revenues, to changes in another variable, in this case income. The income elasticity of tax revenue is equal to the percentage change in tax revenues divided by the percentage change in income. If tax revenues are inelastic, revenues on average grow at a slower rate than income. An inelastic tax is also less volatile than the business cycle and thus provides a more stable source of financing for government operations than an elastic tax.

A flat rate income tax like Michigan's, with no exemptions or credits, should theoretically have an income elasticity equal to exactly one. Exemptions and credits will result in the measured elasticity being potentially higher or lower than one. In general, a flat rate tax will be less elastic than a graduated-rate tax like the federal income tax. With a flat rate tax, tax liability for most taxpayers increases proportionally to an increase in income. With increasing marginal tax rates, tax liability increases more rapidly than income as income begins to be taxed at progressively higher rates.

A simple calculation will hopefully clarify the concept of elasticity. In Exhibit 1 (see page 7), net income tax revenues increased by 7.16 percent from 1998 to 1999 while total AGI increased by 8.22 percent over the same period. This resulted in an elasticity estimate of 0.871 (7.16 divided by 8.22). This means that a 10 percent increase/decrease in income will, on average, increase/decrease tax revenues by 8.71 percent. However, this method of calculating income elasticity is not suitable when changes in other important variables that also affect tax revenues are also present. For example, the Michigan individual income tax rate changed in 2000 and in 2002, and many exemptions increased in 2000, 2001, and 2002 as well. If we were to calculate income elasticity using 2000 data, the reported changes of net income tax revenues (-0.47 percent) and of AGI (6.13 percent) would result in a calculated elasticity of -0.077. This would suggest that a 10 percent increase/decrease in income will result, on average, on tax revenues declining/increasing 0.7 percent. The problem with this result is that the drop in tax revenue due to the decrease in the tax rate and to the increase in exemptions cannot be accounted for using the simple calculation method. On the other hand, if we were using 2001 data, the average method would result in a calculated income elasticity of 1.69 (net income tax revenue change of -9.15 percent, divided by an AGI change of -5.41 percent). The result suggests that a 10 percent increase/decrease in income will result, on average, in tax revenues increasing/decreasing 16.9 percent. However, the strong responsiveness of tax revenues to income suggested by the elasticity estimate is mainly attributed the fact that the simple calculation method does not properly account for the large drop in capital gains, which was concentrated among taxpayers with high marginal rates. Thus, another method of estimating elasticity is recommended.

Regression analysis provides a more thorough method of estimating the income elasticity of net income tax revenues. It allows the investigator to isolate the effect of changes in income on tax revenues by controlling other variables that influence tax collections, such as changes in the personal exemption or tax rate. Regression analysis of Michigan income tax collections from the fourth quarter of 1978 through the fourth quarter of 2002 results in an estimated elasticity of 0.954. This is based on net quarterly income tax collections and quarterly personal income as reported by the Bureau of Economic Analysis. Although the Michigan income tax is based on

federal AGI, quarterly personal income is the best available proxy given that AGI is not available on a quarterly basis.

One problem with using personal income as a proxy for AGI is that the Bureau of Economic Analysis excludes capital gains from its estimates. Using personal income with this omission will tend to increase the elasticity estimate, because while tax revenues are fully included the absolute value of the growth rate of income will be understated. Capital gains tend to be more volatile than other income sources (e.g., wages, interest, and pensions) so their exclusion will make the growth of the personal income variable lower than the growth AGI in good times and higher in bad times. Therefore, it may be argued that the “true” elasticity is less than 0.954 and that the Michigan income tax is even less elastic than estimated above. A new estimate was obtained by adding quarterly estimated annual capital gains realizations to quarterly personal income. The regression equations were then re-estimated using the new income measure. The new estimates are slightly lower (0.943), consistent with the hypothesis that using personal income overstates the true elasticity.

Use Tax Payments

A taxpayer owes use tax when he or she purchases tangible personal property, either for use, consumption, or storage in Michigan, from companies that do not collect Michigan sales or use tax. This includes mail order and Internet purchases as well as purchases while traveling in other states, or foreign countries. In those cases, a compliant Michigan taxpayer must submit a use tax form, remitting the use tax owed on the total price (including shipping and handling charges) of all taxable items purchased from the out-of-state⁴ retailer who does not collect Michigan tax.

Starting in tax year 1999, Michigan taxpayers were able to remit use tax payments while filing their income tax return, instead of filing numerous use tax forms. This alternative simplifies the tax compliance process for the taxpayer. In tax year 2002, 70,600 taxpayers remitted \$2.9 million in use tax.

Use Tax Liability Reported on Income Tax Returns

Tax Year	Number Of Returns	Use Tax Amount	Average Per Return
1999	64,650	\$2,895,475	\$44.79
2000	79,627	2,976,223	\$37.38
2001	72,913	2,877,459	\$39.46
2002	70,619	2,872,252	\$40.67

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury
(1999 data from IIT production reports, data thereafter from Tax Year Processing reports).

⁴An out-of-state business that does not have a store, warehouse, or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers.

V. INCOME TAX CREDITS

For tax year 2002, Michigan's personal income tax offered a total of 11 different credits to taxpayers: four refundable credits (homestead property tax, farmland preservation property tax, home heating credit, and the adoption credit), and seven nonrefundable credits (city income tax credit, college contribution credit, community foundation credit, homeless shelter/food bank credit, college tuition and fees credit, other state income tax credit, and the Michigan historic preservation credit). The credits convert the flat rate Michigan income tax into a more progressive tax structure.

REFUNDABLE CREDITS

Homestead Property Tax Credit

Michigan's property tax credit is designed to provide property tax relief through the income tax. When property taxes exceed specific income thresholds, the credit provides relief to taxpayers. In tax year 2002, taxpayers with household income less than \$82,650 may claim a property tax credit, and the computed credit is reduced by 10 percent for every \$1,000 that household income exceeds \$73,650.

Most homeowners and renters receive credits equal to 60 percent of the amount by which homestead property taxes (or 20 percent of rent for renters) are greater than 3.5 percent of income. Senior citizens, paraplegic, hemiplegic, quadriplegic, totally and permanently disabled, deaf, or blind filers receive a credit for 100 percent of their property taxes above the following percentages of income.⁵

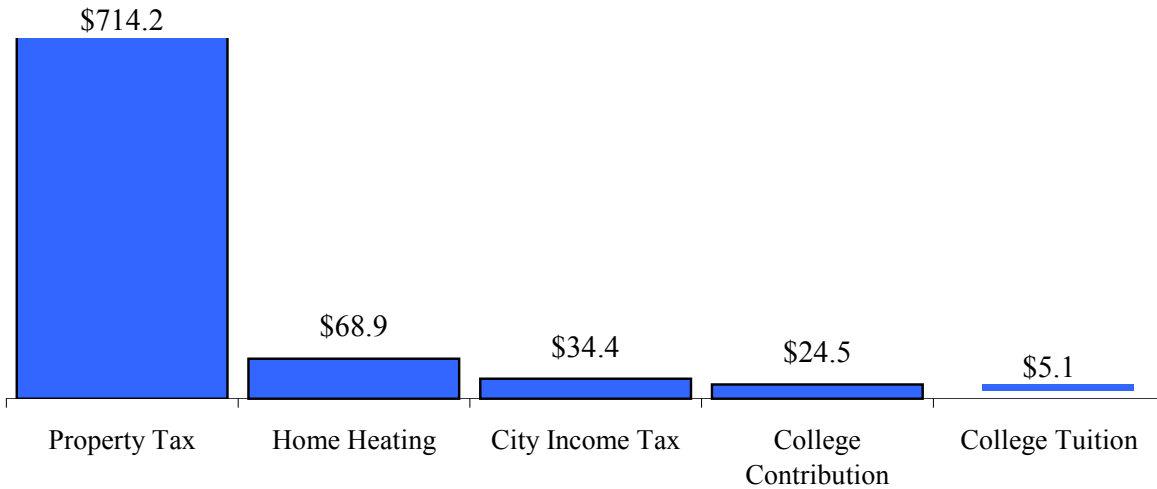
<u>Income</u>	<u>Percent Not Refundable</u>
\$ 0 - \$3,000	0.0%
\$3,001 - \$4,000	1.0%
\$4,001 - \$5,000	2.0%
\$5,001 - \$6,000	3.0%
Over \$6,000	3.5%

About 1.4 million Michigan taxpayers received \$682.6 million of homestead property tax credits and \$31.6 million in farmland preservation property tax credits in tax year 2002. Michigan's

⁵Public Act 41 of 2001 increased the Homestead Property Tax Credit for taxpayers who are deaf, blind, or totally and permanently disabled. Prior to tax year 2002, deaf filers received the same credit as other homeowners and renters, while blind, or totally and permanently disabled filers received 60 percent of the credit calculated for senior citizens and paraplegic, hemiplegic, or quadriplegic.

property tax credit program is one of the largest property tax relief programs in the country. The \$714.2 million in total 2002 property tax credits represented an increase of \$106.2 million (17.5 percent) from the prior year, while 115,800 additional taxpayers received assistance. Senior citizens received \$283.8 million of the credits, a \$38.1 million increase from 2001. Exhibit 5 illustrates the amount of money paid to taxpayers for property tax credits compared to other credits.

**Exhibit 5
2002 Individual Income Tax Credits
(billions of dollars)**



Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

The average 2002 homestead property tax credit was \$498.23 (excluding the farmland credit), a \$37.55 increase from the tax year 2001 average. Senior citizens' credits averaged \$692.40, a \$48.95 increase from 2001 (see Exhibit 15 on page 44). Following is a summary of the number of credits received by taxpayers, according to AGI levels.

**2002 Homestead Property Tax Credits
(excludes farmland credit)**

<u>AGI Range</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	409,821	\$234,091,849	\$571.21
\$10,001 - \$20,000	315,064	156,542,080	496.86
\$20,001 - \$50,000	475,488	211,627,019	445.07
Over \$50,000	169,639	80,321,180	473.48
Total	1,370,012	\$682,582,128	\$498.23

The table above and Exhibit 12 (see pages 39 and 40) confirm that the homestead property tax credit is a progressive element in the state income tax structure. Credits as a fraction of AGI decline continuously as incomes rise. While accounting for only 5.0 percent of total AGI, taxpayers with incomes between \$10,001 and \$20,000 received 23.5 percent of the total homestead credits. On the other hand, taxpayers with AGIs over \$50,000 accounted for 73.1 percent of total 2002 Michigan AGI, but received only 11.8 percent of total homestead credits. Exhibits 16 through 19 (see pages 45 through 48) provide the distribution of property tax credits by income groups.

The farmland preservation program, originally PA 116 of 1974 which was replaced by PA 451 of 1994 (part 361 of chapter 1, article III of the Natural Resources and Environmental Protection Act), provides additional property tax relief for farmers. Under the farmland program, farmers may receive additional property tax relief by entering into an agreement with the state not to convert the farmland to other uses for at least seven years. The program benefited about 9,240 farms in 2002, providing credits of \$31.6 million for an average credit of \$3,416.89. Including the farmland preservation credit, the average property tax credit was \$517.78 in tax year 2002. For 8,300 farmers claiming both a farmland credit and homestead property tax credit, the combined credits averaged over 86 percent of total property taxes paid; property taxes totaled \$41.1 million, farmland credits totaled \$26.7 million, and homestead credits totaled \$8.7 million.

PA 269 of 1982 provides a special tax credit for senior citizens with high rent burdens. This additional credit is the amount by which rent paid exceeds 40 percent of household income. For 2002, 10,700 senior citizens claimed an additional \$3.7 million using this alternate calculation. These amounts represent an increase of \$89,700 from 2001 with 440 more people receiving the additional credit. The amount of this credit is included in the senior citizens' homestead property tax credit statistics, but shown separately in Exhibit 15 (see page 44).

Home Heating Credit

The home heating credit program, designed to help low-income taxpayers with the cost of heating their homes, is financed almost exclusively with federal funds. The credit is based on the number of exemptions for which the household is eligible. Senior citizens as well as individuals who are disabled, deaf, blind, or have received unemployment compensation greater than 50 percent of their AGI are entitled to extra exemptions.

Home heating credits totaled \$68.9 million for tax year 2002 with 335,900 households qualifying. This represented a \$7.3 million increase over the previous year, with 20,700 additional households receiving assistance. Prior to 1991, recipients of Aid to Families with Dependent Children or General Assistance were not eligible for this credit, but were provided comparable benefits from other state and local programs. Senior citizens received \$12.9 million of the \$68.9 million in home heating credits claimed for tax year 2002. Exhibit 20 (see page 49) provides information on the distribution of the home heating credit by household income.

2002 Home Heating Credits

	Number of Credits <u>Allowed</u>	Dollar Amount of Credit	Average Credit
Senior Citizens	74,852	\$12,908,252	\$172.45
General	234,381	50,717,210	216.39
Disabled	26,082	5,149,705	197.44
Veteran	568	90,308	158.99
Total	335,883	\$68,865,475	\$205.03

About 30,100 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$12.6 million. The average credit under the standard calculation was \$183.62 compared to \$419.41 under the alternative calculation.

Adoption Credit

Effective with tax year 2001, the adoption credit is available to persons who claimed the federal adoption expenses credit under Section 23 of the Internal Revenue Code for the same tax year. The credit equals the amount of qualified expenses that exceeded the amount of the federal adoption credit or \$1,200 per child, whichever is less. Qualified adoption expenses refer to those expenses eligible for the federal credit. In 2002, 1,100 taxpayers claimed total credits of \$1.4 million, resulting in an average credit of \$1,266.07 per taxpayer.

NON-REFUNDABLE CREDITS

City Income Tax Credit

Partial credit is allowed for taxpayers who paid income taxes to Michigan cities. The credit is based on the amount of tax paid less any refunds received during the tax year, and it is calculated as follows:

<u>City Income Tax</u>	<u>Credit</u>
Under \$100	20 Percent
\$101 - \$150	\$20.00 + 10 percent of excess over \$100
Over \$150	\$25.00 + 5 percent of excess over \$150

In 2002, 22 cities in Michigan levied an income tax (see following table).

Michigan Cities Income Tax

<u>County</u>	<u>City</u>	<u>Year Adopted</u>	<u>2002 Rates</u>		<u>2003 Rates</u>	
			<u>Residents</u>	<u>Non-residents</u>	<u>Residents</u>	<u>Non-residents</u>
Calhoun	Albion	1972	1%	0.5%	1%	0.5%
Calhoun	Battle Creek	1967	1	0.5	1	0.5
Calhoun	Springfield	1989	1	0.5	1	0.5
Crawford	Grayling	1972	1	0.5	1	0.5
Genesee	Flint	1965	1	0.5	1	0.5
Ingham	Lansing	1968	1	0.5	1	0.5
Ionia	Ionia	1994	1	0.5	1	0.5
Ionia	Portland	1969	1	0.5	1	0.5
Jackson	Jackson	1970	1	0.5	1	0.5
Kent	Grand Rapids	1967	1.3	0.65	1.3	0.65
Kent	Walker	1988	1	0.5	1	0.5
Lapeer	Lapeer	1967	1	0.5	1	0.5
Lenawee	Hudson	1971	1	0.5	1	0.5
Mecosta	Big Rapids	1970	1	0.5	1	0.5
Muskegon	Muskegon	1993	1	0.5	1	0.5
Muskegon	Muskegon Heights	1990	1	0.5	1	0.5
Oakland	Pontiac	1968	1	0.5	1	0.5
Saginaw	Saginaw	1965	1.5	0.75	1.5	0.75
St. Clair	Port Huron	1969	1	0.5	1	0.5
Wayne	Detroit	1962	2.65	1.325	2.55	1.275
Wayne	Hamtramck	1962	1	0.5	1	0.5
Wayne	Highland Park	1966	2	1	2	1

City income tax credits amounted to \$34.4 million for tax year 2002 (see Exhibit 16 on page 45), a \$2.6 million decrease from 2001, while the number of claimants decreased by 66,700. The following table lists the number of city income tax credits, total credits received, and the average city income tax credit for taxpayers at different levels of AGI.

2002 City Income Tax Credits

<u>Adjusted Gross Income</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	124,739	\$1,486,608	\$11.92
\$10,001 - \$20,000	136,270	3,130,250	22.97
\$20,001 - \$50,000	311,800	11,190,217	35.89
Over \$50,000	<u>356,978</u>	<u>18,580,055</u>	<u>52.05</u>
Totals	929,787	\$34,387,129	\$36.98

Public Contribution Credit

Taxpayers may claim partial credits for contributions to Michigan colleges and universities, public libraries, museums, and public broadcasting stations. The credit is equal to 50 percent of the amount contributed up to a maximum credit of \$200 for a joint return (\$100 on a single return). For 2002, 279,400 taxpayers received \$24.5 million in credits (see Exhibit 15 on page 44). Credits decreased slightly, by \$244,300, from the prior year when 285,700 taxpayers received \$24.7 million in credits.

Community Foundation Credit

The community foundation credit, implemented in tax year 1989, is a partial credit for donations to certified community foundations. The credit is equal to 50 percent of the donation up to a maximum of \$200 for a joint return (\$100 on a single return). For tax year 2002, 27,700 taxpayers claimed \$2.6 million in community foundation credits. This was an increase of 730 returns claiming \$99,600 more in credits than in 2001.

Homeless Shelter/Food Bank Credit

The homeless shelter/food bank credit provides a partial credit for cash donations to a qualifying homeless shelter, food bank, or food kitchen whose primary purpose is to provide accommodations or food to indigent persons. The credit is equal to 50 percent of the donation up to a maximum of \$200 for a joint return (\$100 on a single return). For tax year 2002, 198,300 taxpayers claimed \$15.4 million in food bank credits. This represented an increase of 5,500 taxpayers and \$606,900 more in credits claimed over the previous tax year.

College Tuition and Fees Credit

Created by Public Act 7 of 1996, the college tuition and fees credit allows taxpayers with AGIs of less than \$200,000 to claim a credit equal to a percentage of tuition and fee payments made on behalf of the taxpayer or any other student to a qualified Michigan college or university. To qualify, the school must have certified that tuition and fees will not increase by more than the rate of inflation. The amount of the credit is the lesser of 8 percent of the tuition and fees paid or \$375 for each student for tax year 2002. The credit cannot be claimed for more than 4 years for any one student. For tax year 2002, 51,500 taxpayers claimed the credit, 23,100 less than in 2001. The \$5.1 million in credits for 2002 represented a \$3.0 million decrease from tax year 2001. In order to qualify for tax year 2002, institutions had to limit tuition and fee increases for the 2002-2003 academic year to 3.4 percent over the 2001-2002 academic year. One private college and 8 community colleges qualified for tax year 2002.

Historic Preservation Credit

The Michigan historic preservation credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic commercial and residential resources

located in the state of Michigan. The credit was created by Public Acts 534 and 535 of 1999, and is equal to 25 percent of the qualified expenditures. In tax year 2002, almost 200 taxpayers claimed a total of \$814,300 in historic preservation credits.

Other Credits

In tax year 2002, 40,500 taxpayers received a total of \$30.8 million credit for income tax paid to another state, resulting in an average credit of \$760.54. This credit is designed so that taxpayers are not taxed twice (in two states) for the same income. In tax year 2001, 42,200 taxpayers claimed a total of \$31.3 million for this credit.

VI. DESIGNATED CONTRIBUTIONS

For the 2002 tax year, taxpayers were able to designate \$3.00 of their tax liability for the State Campaign Fund, which supports state gubernatorial campaigns. For 2002, 506,100 taxpayers contributed \$2.9 million to the State Campaign Fund (see Exhibit 6 below). On average, there was one designation for every 9 returns.

Prior to tax year 2000, taxpayers could donate a portion of their income tax refund or increase their liability to support two other funds: the Children's Trust Fund (CTF) and the Non-Game Wildlife Fund. The CTF was created by Public Act 211 of 1982. Contributions to the fund were returned to local communities and dedicated to the prevention of child abuse. The Michigan Non-Game Wildlife Fund was created by Public Act 189 of 1983. Contributions were used for research and management of non-game fish and wildlife. Public Act 291 of 2000 appropriated amounts to fully fund both the Children's Trust and Non-Game Wildlife Funds, eliminating the need to continue to solicit contributions on the income tax form.

Exhibit 6 Returns Designating Contributions

<u>Tax Year</u>	<u>Number of 1040's Filed</u>	<u>Number of CTF Donations</u>	<u>Number of Nongame Donations</u>	<u>Number of Campaign Checkoffs</u>
1982	3,310,400	199,644	--	1,042,300
1983	3,335,800	197,350	79,717	952,400
1984	3,450,900	229,634	102,583	899,000
1985	3,517,000	182,941	97,835	918,500
1986	3,729,300	200,813	115,915	887,800
1987	3,763,900	155,618	89,195	787,600
1988	3,880,300	115,088	83,269	779,000
1989	3,977,900	122,107	87,296	767,300
1990	4,022,300	138,294	106,224	741,900
1991	4,011,600	119,468	93,517	653,000
1992	3,984,600	86,430	68,188	593,000
1993	4,034,000	72,458	61,616	491,333
1994	4,123,200	63,375	58,056	473,600
1995	4,214,300	62,971	53,153	437,200
1996	4,260,200	57,251	51,289	459,400
1997	4,308,575	54,639	49,037	469,000
1998	4,350,006	70,496	49,600	429,632
1999	4,414,720	78,242	48,900	393,111
2000	4,511,561	n.a.	n.a.	496,840
2001	4,456,031	n.a.	n.a.	534,955
2002	4,405,687	n.a.	n.a.	506,120

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

VII. INTERSTATE COMPARISONS

In 2002, Michigan along with five other states (Colorado, Illinois, Indiana, Massachusetts, and Pennsylvania) had a flat rate income tax. Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming) had no state personal income tax. Two states (New Hampshire and Tennessee) taxed only dividend and interest income, and one other state (Rhode Island) taxed a certain percentage of the taxpayer's federal income tax liability. The remaining 34 states had income taxes with graduated rates. A state-by-state comparison of the income tax burden per person and tax revenue as a percent of personal income is shown in Exhibit 7 (see page 24). Exhibits 8 and 9 (see page 25) compare Michigan's income tax to that of other states in the Great Lakes region.

In fiscal year 2002, Michigan ranked 34th highest in state income taxes as a percent of personal income with New York ranking first. Michigan's income tax, as a percent of personal income at 2.03 percent, was 0.09 of a percentage point below the U.S. average, and 0.56 of a percentage point below the average of the 41 states with a general income tax. This was the third consecutive annual decline of Michigan individual income taxes as a percent of personal income since 1999, when they were 2.70 percent. The above calculations use estimates of quarterly state personal income, released by the U.S. Bureau of Economic Analysis in January 27, 2004, and compiled by the Office of Revenue and Tax Analysis for each state's fiscal year. Because personal income does not include capital gains but tax revenues includes the tax on realized gains, and capital gains are not uniformly distributed among states, the calculated ratios are skewed.

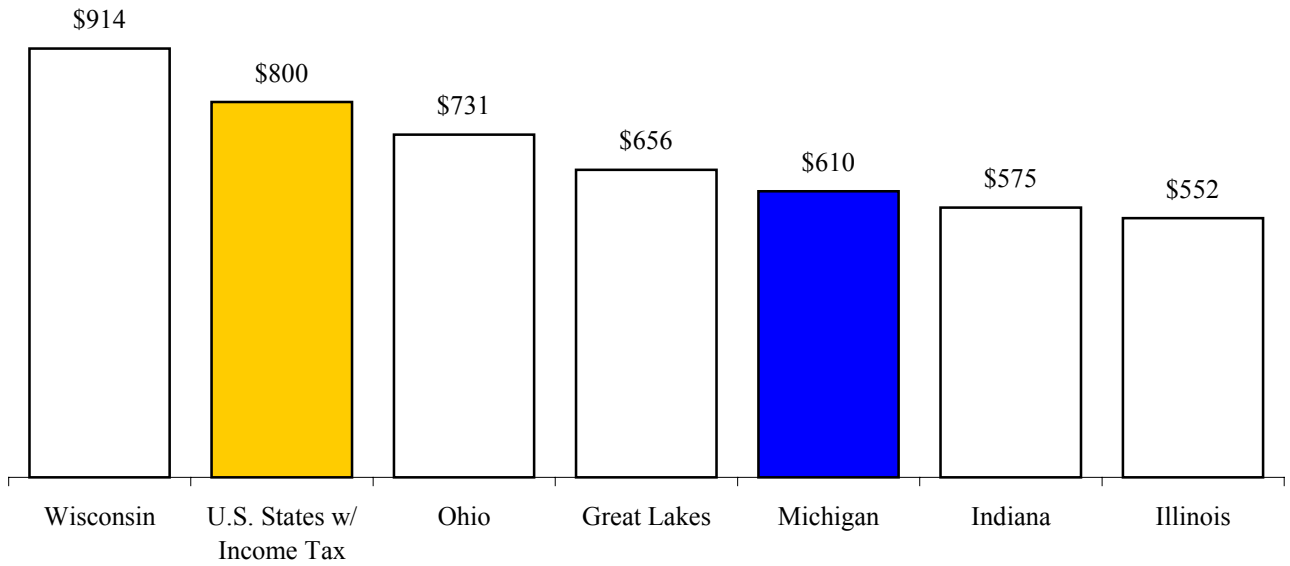
Michigan ranked 26th highest in income taxes per person with New York ranking first overall. Over the preceding six years, when the tax rate was 4.4 percent, collections per person rose from \$585 in fiscal year 1994 to \$750 in fiscal year 1999. In fiscal years 2000 and 2001, when the Michigan income tax rate was reduced to 4.2 percent, collections per person were \$723 and \$676, respectively. In fiscal year 2002, the Michigan income tax rate declined to 4.1 percent, and average collections per person declined to \$610. National average income tax collections per person were \$649, and for the 41 states with an income tax, average income tax collections per person were \$800. (For Michigan income tax rates from 1968 to present, see Exhibit 23 on page 54.) Over the FY 1994 - 2002 period, the income tax burden in Michigan has been declining relative to that in other states. In fiscal year 1994, Michigan ranked 11th highest in per capita income taxes and 14th highest in income taxes as a percent of personal income. For fiscal year 2002, Michigan ranked 26th and 34th, respectively.

Exhibit 7
State Individual Income Taxes for FY 2002
Per Person and Percentage of Personal Income

<u>State</u>	<u>Per Person Individual Income Taxes</u>	<u>Rank</u>	<u>Income Taxes as a Percent of Personal Income</u>	<u>Rank</u>
Alabama	\$537	35	2.15%	30
Alaska	No Tax	N/A	No Tax	N/A
Arizona	395	39	1.49%	40
Arkansas	553	32	2.39%	23
California	957	6	2.91%	9
Colorado	785	15	2.34%	24
Connecticut	1,074	4	2.52%	19
Delaware	901	9	2.77%	12
Florida	No Tax	N/A	No Tax	N/A
Georgia	759	17	2.67%	13
Hawaii	896	10	3.05%	7
Idaho	627	25	2.56%	16
Illinois	552	33	1.67%	37
Indiana	575	29	2.08%	32
Iowa	603	28	2.18%	29
Kansas	684	20	2.39%	22
Kentucky	655	23	2.60%	15
Louisiana	398	38	1.59%	38
Maine	828	13	3.05%	8
Maryland	863	12	2.43%	21
Massachusetts	1,232	2	3.18%	5
Michigan	610	26	2.03%	34
Minnesota	1,084	3	3.26%	3
Mississippi	344	40	1.56%	39
Missouri	638	24	2.24%	28
Montana	569	31	2.34%	25
Nebraska	668	21	2.29%	26
Nevada	No Tax	N/A	No Tax	N/A
New Hampshire	56	42	0.17%	42
New Jersey	797	14	2.05%	33
New Mexico	531	36	2.27%	27
New York	1,337	1	3.76%	1
North Carolina	875	11	3.21%	4
North Dakota	315	41	1.20%	41
Ohio	731	18	2.52%	18
Oklahoma	655	22	2.62%	14
Oregon	1,044	5	3.72%	2
Pennsylvania	546	34	1.75%	36
Rhode Island	771	16	2.52%	17
South Carolina	476	37	1.91%	35
South Dakota	No Tax	N/A	No Tax	N/A
Tennessee	25	43	0.09%	43
Texas	No Tax	N/A	No Tax	N/A
Utah	692	19	2.90%	10
Vermont	607	27	2.10%	31
Virginia	921	7	2.86%	11
Washington	No Tax	N/A	No Tax	N/A
West Virginia	573	30	2.47%	20
Wisconsin	914	8	3.10%	6
Wyoming	No Tax	N/A	No Tax	N/A
U.S. Average	\$649		2.12%	
U.S. Average for States With a General Income Tax	\$800		2.59%	

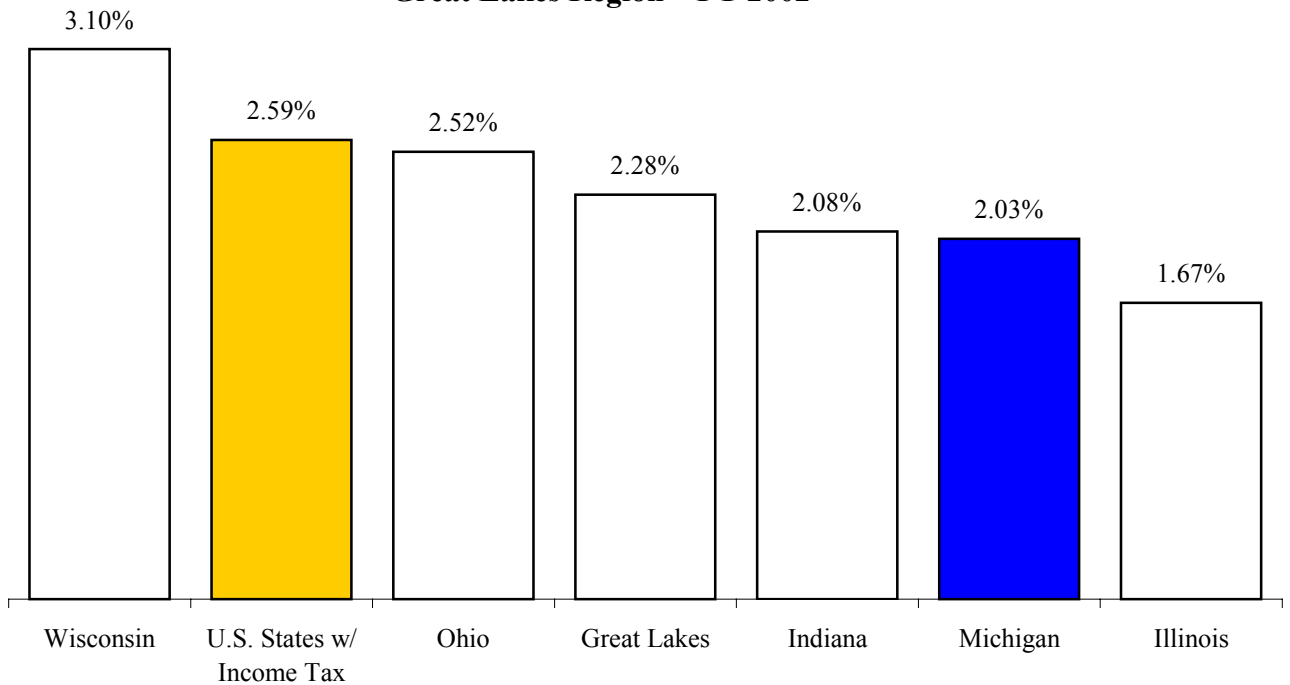
Sources: Census Bureau and Bureau of Economic Analysis, U.S. Department of Commerce.

**Exhibit 8
State Income Taxes Per Person
Great Lakes Region - FY 2002**



Sources: Census Bureau and Bureau of Economic Analysis, U.S. Dept of Commerce.

**Exhibit 9
State Income Taxes
Percentage of Personal Income
Great Lakes Region – FY 2002**



Sources: Census Bureau and Bureau of Economic Analysis, U.S. Dept. of Commerce.

VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS

Exhibit 21 (see pages 50 and 51) reports the distribution of income tax collections and property tax and home heating credits. Since farms receive special treatment for the homestead property tax credit and the separate farmland credit, rural counties benefit substantially from these programs.

Exhibit 22 (see pages 52 and 53) provides a ranking by county of average AGI, average income tax before and after credits, credits as a percentage of income tax before credits, ratio of property tax credits to returns filed, and average property tax credit. A summary of Exhibit 22 is provided below.

Exhibits 24 and 25 (see pages 55 and 56) compare the average AGI and property tax credit for each Michigan county.

County-level statistics are compiled using the zip code provided on each tax return. Adjustments were made to the zip code database in 1999 to more accurately identify the county of residence. While the change is relatively small in magnitude, the reader should exercise caution when comparing the information in this report to similar statistics contained in reports from prior years.

Personal Income Tax County Data Summary

	<u>State Average</u>	<u>Highest County</u>	<u>Lowest County</u>
Average AGI	\$48,450	\$65,717 Oakland	\$27,204 Lake
Average Income Tax Before Credits	\$1,438	\$2,275 Oakland	\$642 Montmorency
Average Income Tax After Credits	\$1,205	\$1,974 Oakland	\$423 Huron
Income Tax Credits as a Percent of Tax Before Credits	16.2%	51.9% Huron	9.7% Luce
Ratio of Property Tax Credits to 1040s Filed	31.3%	41.4% Wayne	11.8% Luce
Average Property Tax Credit	\$518	\$1,137 Huron	\$231 Luce

Note: Property tax credits include farmland preservation credits.

IX. FEDERAL INCOME TAX INTERACTION

The starting point for calculating the Michigan income tax is federal AGI. Thus, Michigan income tax revenues can be influenced by changes in federal tax law that modify the calculation of AGI. For example, a change in federal tax law requiring self-employed individuals and rental property owners to depreciate their assets over a longer time period would expand the Michigan tax base and increase tax revenues. Conversely, a change in federal tax law increasing the amount a taxpayer can contribute each year to a tax-deferred retirement account would reduce the Michigan tax base, thus lowering revenues.

The Michigan income tax base increased due to significant changes in federal tax law contained in the Tax Reform Act of 1986 (TRA-86). Almost all of the changes to federal law in the 1990s have caused AGI to become narrower, thus reducing the Michigan tax base. The changes in the 1990s pale, however, in comparison to the scope of the expansions brought about by TRA-86.

Changes in AGI at the federal level can be offset or reinforced at the state level. Expansions in the tax base can be offset with tax cuts. In response to TRA-86, the personal exemption was increased from \$1,500 in 1986 to \$1,600 in 1987, \$1,800 in 1988, \$2,000 in 1989, and \$2,100 in 1990. In fiscal year 2002, the personal exemption was \$3,000. The special exemptions for senior citizens, blind persons, and those taxpayers with 50 percent or more of their AGI attributable to unemployment compensation were also created. In fiscal year 2002, the special exemptions were \$1,900.

Summary of Federal Tax Law Changes

Significant federal tax law changes affecting Michigan's tax base are discussed below. The changes are grouped based on when they first became effective.

1987

The TRA-86 contained many provisions that expanded the definition of AGI. The dividend exclusion and 60 percent long-term capital gain deduction were eliminated. The deduction for married couples when both work was eliminated. Most employee and moving expenses were no longer removed from AGI but only subtracted as an itemized deduction. However, self-employed taxpayers were allowed to subtract 25 percent of their health insurance premiums as an adjustment to income.

New rules reduced the deductibility of contributions to individual retirement arrangements (IRAs) for taxpayers covered by employer-sponsored pension plans. Losses from passive activities, such as real estate partnerships, were generally no longer deductible from other income. New rules limited the deductibility of losses from rental property activities. New depreciation rules slowed the rate at which investment assets could be depreciated. Finally, all unemployment compensation was included in AGI.

TRA-86 made other changes to Michigan's tax base unrelated to AGI. Michigan taxpayers had been allowed to claim the same number of exemptions on their Michigan return as they claimed on that year's federal return. Before 1987, taxpayers were able to claim an extra full federal exemption if they were blind or a senior citizen. TRA-86 replaced these extra federal exemptions with an increased standard deduction. Also, individuals eligible to be claimed as dependents on someone else's tax return, such as a parent's return, were no longer able to claim their own personal exemption.

In response to the reduced number of federal exemptions, new Michigan exemptions were created for taxpayers who were deaf, blind, or disabled, or a senior citizen. In response to the full inclusion of unemployment benefits in AGI, a new exemption was created for taxpayers who received unemployment compensation equal to at least 50 percent of their AGI. The new special exemption amount was set so that a taxpayer claiming one extra exemption received the same exemption amount in tax years 1987 through 1990 as in 1986. Also, for tax years beginning in 1988 and following, an individual required to file a tax return and eligible to be claimed as a dependent on another taxpayer's return, could claim a smaller personal exemption. The exemption was set at \$500 in tax year 1988 and \$1,000 for tax years beginning after 1988.

1994

The Omnibus Budget Reconciliation Act of 1993 (OBRA-93) made minor revisions to federal tax law, generally reducing reported AGI. Moving expenses were reinstated as an adjustment to income. This reduced AGI for taxpayers with these expenses, thus lowering their Michigan income tax liability. Similarly, OBRA-93 also made it easier for taxpayers to deduct losses from rental activities if they "materially participate" in operating the rental properties. Such losses only affect the Michigan income tax for properties located in Michigan.

1995

AGI could now be reduced by 30 percent of the amount paid for health insurance by the self-employed. Separate legislation later increased the deductible percentage to 40 percent for tax year 1997, 45 percent for 1998, and 60 percent for tax year 2001. For tax years after 2002, all health insurance premiums for the self-employed will be deductible.

1996

New legislation made payments from qualified state tuition programs (QSTP) taxable only if the amount received was greater than the amount originally contributed. This resolved a legal dispute that initially begun over the Michigan Education Trust (MET), a prepaid tuition program Michigan started in 1988. The new law has led to the rapid growth of QSTPs, including the Michigan Education Savings Program.

1997

A number of federal law changes became effective in 1997, resulting in changes to Michigan's tax base. Most gains on the sale of a primary residence were excluded from AGI if the taxpayer owned and lived in the house for two of the last five years preceding the sale. Single taxpayers have a \$250,000 exclusion, and married taxpayers filing a joint return may exclude \$500,000. Previously, gains on the sale of a primary residence were deferred only if the taxpayer purchased a new residence for a price greater than the taxpayer's cost basis in the former residence. Prior to the effective date of this new provision, taxpayers who were 55 or older were allowed under certain conditions to make a one-time exclusion of a gain on the sale of a primary residence of up to \$125,000.

Taxpayers were granted a full \$2,000 IRA deduction for a non-working spouse. Previously, the deduction for a spouse without earned income was \$250. A new deduction for contributions to medical savings accounts was also created. This new federal deduction resulted in the elimination of the separate Michigan deduction for contributions to these accounts.

1998

Effective for 1998, taxpayers were able to establish new Education and Roth IRAs. Contributions to these accounts are not deductible, but both accounts allow investment earnings to accumulate tax-deferred and withdrawals may be tax-free. If a distribution from an Education IRA is used for qualified higher education expenses, the distribution is tax exempt. If a distribution from a Roth IRA is received five years after the taxpayer established the account and after the taxpayer reaches age 59½, the entire distribution is tax exempt.

Education IRAs' only impact on Michigan income tax revenues will be that the investment earnings on these particular savings arrangements may be tax exempt. Eventually the tax exemption will reduce income tax revenues somewhat, but the short-term impact will be insignificant. While Roth IRAs also allow investment earnings to accumulate tax-exempt, they resulted in an immediate, short-term increase in Michigan income tax collections. Taxpayers eligible to contribute to a Roth IRA are also allowed to convert a traditional IRA into a Roth IRA. The amount converted is generally included in the taxpayer's AGI in the year of conversion. A provision in the initial legislation, however, allowed taxpayers to spread the conversion amount over four years, from 1998 through 2002. This provision was only available in 1998, and it resulted in a large number of conversions. The increase in AGI from these conversions resulted in a one-time, four-year increase in Michigan income tax revenues. However, for taxpayers meeting the distribution rules described above, withdrawals from Roth IRAs will be free from further income taxes.

New legislation effective in 1998 also increased the deductibility of contributions to traditional IRAs. The income limits for making deductible contributions when the taxpayer participates in an employer-sponsored retirement plan were increased. These limits will continue to increase each year up to \$50,000 for singles and \$80,000 for married couples for tax years beginning after

2006. Full deductions were also allowed for taxpayers with AGIs below \$150,000 whose spouses participate in an employer-sponsored retirement plan. Taxpayers who do not participate themselves nor have a spouse participating in an employer-sponsored retirement plan have been allowed a full IRA deduction since the inception of these arrangements.

A new adjustment to income allowed taxpayers to subtract a percentage of the interest they pay on student loans. For tax year 1998, the deduction was limited to \$1,000. The limit increased to \$1,500 in 1999 and will increase to \$2,500 in 2002.

2001

Restitution payments received after 1999 by victims of Nazi persecution or their heirs became excludable from federal gross income.

2002

Starting in tax year 2002, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) increased the maximum annual contribution limits for education IRAs, traditional and Roth IRAs, annual elective deferrals for qualified retirement plans, the AGI phase-out ranges for eligibility for the student loan interest deduction, and provided a deduction for qualified higher education expenses. To the extent that those changes increased, or made more taxpayers eligible for existing federal deductions, they generally decrease federal AGI, which is the base for the Michigan personal income tax.

Under the EGTRRA, the maximum annual contribution limits to IRAs (both traditional and Roth) increase from \$2,000 to \$3,000 in 2002 through 2004, \$4,000 in 2005 through 2007, up to \$5,000 in 2008, when the limit is adjusted for inflation for tax years thereafter. Individuals who are age 50 or older are also allowed to make additional “catch-up contributions” to an IRA. The dollar limit on annual elective deferrals under 401(k) plans, 403(b) annuities and 408(k) salary reduction simplified employee pensions (SEP) increases to \$11,000 in 2002, with \$1,000 annual increments until the limits reach \$15,000 in 2006 (limit indexed for inflation in \$500 increments for tax years thereafter). Starting in tax year 2002, the AGI phase-out ranges for eligibility for the student loan interest deduction increases to \$50,000 through \$65,000 for single taxpayers and to \$100,000 through \$130,000 for married taxpayers filing joint returns. A deduction of up to \$3,000 for qualified higher education expenses becomes effective in tax year 2002. It increases to \$4,000 in 2004 and is repealed after tax year 2005. Also, the maximum annual contribution for education IRAs (a.k.a. Coverdell education savings account) increases from \$500 to \$2,000 per beneficiary in tax year 2002.

Certain provisions of the Job Creation and Worker Assistance Act of 2002 (JCWA) also became effective in tax year 2002, like the additional 30 percent first-year depreciation deduction for eligible property, the above-the-line deduction for qualified expenses incurred by educators for classroom materials, and the expansion on the limits for qualified medical savings accounts (Archer MSAs).

2003

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) accelerated many of the federal individual income tax reductions provided in the EGTRRA, increased temporarily the alternative minimum tax exemption amount, reduced temporarily tax rates on dividends and capital gains and increased temporarily incentives designed to speed up investment. From those changes, only the incentives designed to speed up investment should have an impact on the calculation of the AGI, and therefore, the Michigan personal income tax. Those incentives comprised an additional 50 percent first-year "bonus" depreciation for eligible property (in lieu of the 30 percent additional deduction provided under the JCWA), and increased expensing limits for small businesses. Prior to the JGTRAA, in lieu of depreciation, small businesses could elect to deduct up to \$25,000 of the cost of qualifying property placed in service during the taxable year, where the expense amount was reduced by the amount by which the taxpayer's cost of qualifying property exceeded \$200,000. The Act increased the maximum deduction amount to \$100,000 for tax years beginning in 2003, 2004, and 2005, and raises the phase-out threshold from \$200,000 to \$400,000. Both the deduction and phase-out threshold are indexed annually for inflation for 2004 and 2005.

X. PUBLIC ACTS – INCOME TAX

1999

Public Act 1 amended the Income Tax Act to change the percentage of gross collections allocated to the SAF for tax years following the 1999 tax year. The new percentage is equal to 1.012 percent divided by the statutory income tax rate. The percentage had previously been 23 percent of gross collections.

Public Acts 2 through 6 amended the Income Tax Act to lower the income tax rate by 0.1 percentage point each year beginning in the 2001 tax year and continuing through the 2004 tax year. For the 2004 tax year and following, the tax rate was set at 3.9 percent.

Public Act 181 amended the Income Tax Act to allow a deduction for amounts received by victims of the Holocaust as a settlement for previously confiscated assets, to the extent that recovery is included in AGI. The deduction would be allowed for tax years beginning on or after January 1, 1994.

Public Act 214 amended the Income Tax Act to make technical changes in the historic preservation credit.

2000

Public Act 40 amended the Income Tax Act to reduce the Michigan income tax rate for 2001 from 4.3 percent to 4.2 percent.

Public Act 41 amended the Income Tax Act to increase property tax credits for certain disabled filers, resulting in the uniform treatment of all senior citizens and disabled filers. The new credits are available for tax years that begin after December 31, 1999.

Public Act 42 amended the Income Tax Act to increase the child deduction to \$600 for children ages 7 through 12 years old and create a \$600 deduction for children ages 13 through 18. The deduction is available for tax years that begin after 1999.

Public Act 43 amended the Income Tax Act to provide a definition for "dependent" as an individual for whom the taxpayer may claim a dependency exemption on the taxpayer's Federal income tax return pursuant to the Internal Revenue code.

Public Acts 161 and 163 amended the Income Tax Act to create a deduction for contributions to the Michigan Education Savings Program (MESP). Earnings on an account established under MESP and withdrawals from an account that are used to pay higher education expenses would also be deductible to the extent included in AGI. Withdrawals from MESP accounts that are not used for higher education expenses would generally have to be added to AGI. A new deduction

was also created for withdrawals from individual retirement accounts used to pay higher education expenses to the extent those withdrawals are included in AGI.

Public Act 195 amended the Income Tax Act to revise the requirements for certification as a community foundation. The new requirements include financial audits, minimum accumulated endowment funds, and allowing new foundations to locate only in counties without a certified community foundation.

Public Act 301 amended the Income Tax Act to increase the special exemption amount to \$1,800 in tax year 2002. The Act also combined all disability exemptions so taxpayers can claim one special exemption if they or their spouse are blind, deaf, paraplegic, quadriplegic, hemiplegic, or totally and permanently disabled. The exemption amount will be increased in \$100 increments to reflect increases in the Consumer Price Index. The Act also created new special exemptions for dependents who are either senior citizens or have one of the disabilities described above. P.A. 301 also increased the exemption for taxpayers who are eligible to be claimed as a dependent on another taxpayer's return. For tax years beginning after 1999, this exemption will be \$1,500, a \$500 increase from the amount previously allowed.

Public Acts 393 and 394 amended the Income Tax Act to create a refundable credit for qualified adoption expenses. This new Michigan credit is only for those expenses exceeding the limits on the similar federal income tax credit.

Public Act 400 amended the Income Tax Act to create a deduction for charitable contributions made with funds withdrawn from a retirement plan. In order to qualify, the contribution must be made within 60 days after the funds are withdrawn from the retirement plan.

Public Act 421 amended the Natural Resources and Environmental Protection Act to lower the income threshold for farmland preservation income tax credits. The Act lowered the threshold from 7 percent to 3.5 percent for tax years after 2001.

2001

Public Act 169 amended the Income Tax Act to extend indefinitely the home heating credit, which would have sunset after tax year 2001. The credit will be allowed only if there has been a federal appropriation of Low-Income Home Energy Assistance Program (LIHEAP) block grant funds for the federal fiscal year that began in the tax year. From tax years 1996 through 2001, the federal appropriation had to be at least \$20 million.

Public Act 215 amended the Income Tax Act to clarify, revise definitions, and provide other technical changes regarding penalty provision of tax deferred education savings account. Effective January 2002, the maximum account balance of all the accounts naming one individual as the designated beneficiary cannot exceed \$235,000. Prior to the bill, the total contributions to all accounts that name one individual as the designated beneficiary could not exceed \$125,000.

2002

Public Act 486 amended the Income Tax Act to require the Department of Treasury to provide a clear and concise explanation of each credit and each deduction available under the act, both in the instruction booklet that accompanies the annual return and on the department's official web site.

Public Act 581 amended the Income Tax Act to repeal requirement to withhold issuance of certification of dissolution or withdrawal until the Department of Treasury has determined that the corporation does not owe any income tax. Instead, a corporation that submitted a certificate of dissolution or requested a certificate of withdrawal from the State will now have to request the Department of Treasury to certify that the corporation does not owe taxes.

Public Act 614 amended the Income Tax Act to allow resident tribal members from certain Michigan federally recognized Indian tribes to deduct all non-business income earned or received in the tax year (to the extent included in AGI). Only resident tribal members from a Michigan federally recognized Indian tribes who signed agreements⁶ with the Michigan Department of Treasury are allowed to take the deduction, and it only applies to income received during the period in which an agreement is effective.

2003

Public Act 21 amended the Income Tax Act to include in the taxable income of nonresidents winnings at Michigan casinos and winnings from pari-mutuel wagering at licensed horse racing meetings.

Public Acts 22 and 45 through 52 amend the Income Tax Act to close tax loopholes related to income earned or received in Michigan by nonresidents. Among other things, the Acts expand withholding requirements, clarify the application of the income tax to flow-through entities, permit flow-through entities to file composite tax returns covering a group of nonresident members of the flow-through entity, and clarify the definition of business income.

Public Acts 28 and 29 amend the Income Tax Act to include certain special assessments levied throughout a township, except in a village located in the township, in total property taxes for the calculation of homestead property tax credits. Previously, only special assessments levied throughout the township, including the village, were allowed to be included in total property taxes.

⁶ Public Act 616 of 2002 allowed the Michigan Department of Treasury to enter into agreements with federally recognized Indian tribes. The agreement would specify whether, and to what extent, Michigan's tax laws apply to each tribe, the tribe members, and other individuals and businesses conducting business with a tribe or its members. At the same time, tribes would promote the enforcement of Michigan tax laws on businesses conducted by them involving non-resident tribal members and non-tribal members. As of April 2004, 7 of the 12 Michigan federally recognized tribes have signed the agreement.

Public Act 211 amends the Income Tax Act to require taxpayers who are required to file federal tax form 1099-MISC to provide a copy of the form to the state. The Act also requires a copy of form 1099-MISC to be provided to a Michigan city if the taxpayer listed as the payee's address on the form 1099-MISC is within a city that levies an income tax under the City Income Tax Act.

Public Act 239 amends the Income Tax Act to postpone until July 1, 2004 the reduction of the income tax rate from 4.0 percent to 3.9 percent that was previously scheduled to be effective on January 1, 2004.

Public Act 295 amends the Income Tax Act to create a refundable credit equals to the amount allowed under the Single Business Tax (SBT) Early State Venture Capital Investment credit. The income tax credit would be effective for tax years beginning in 2009 and before 2020, and would be allowed only in a tax year in which the SBT credit was not allowed under a successor tax to the SBT Act.

XI. EXHIBITS 10 THROUGH 26

Exhibit 10
Effective Rate of the Michigan Individual Income Tax, 2002

Adjusted Gross Income Group	Number of Returns Filed⁽¹⁾	Adjusted Gross Income	Effective Personal Exemptions⁽²⁾	Claimed Exemptions	Subtractions Minus Additions	Total Credits⁽³⁾	Effective Tax	Effective Tax as a % of Income
Less than \$1 ⁽⁴⁾	283,763	(\$2,515,700,485)		69,642	(\$1,328,437,797)	\$119,937,494	(\$117,467,393)	
\$ 1 - 2,000	161,051	174,930,173	24,969	98,534	34,385,178	28,657,475	(28,128,679)	-16.1%
2,001 - 4,000	190,443	571,074,019	70,838	134,031	74,977,527	29,140,565	(22,538,820)	-3.9%
4,001 - 6,000	181,969	907,624,947	79,553	163,716	216,520,278	34,661,738	(20,319,715)	-2.2%
6,001 - 8,000	172,043	1,203,567,606	122,952	195,745	240,155,530	40,111,317	(20,712,147)	-1.7%
8,001 - 10,000	160,984	1,448,264,899	141,253	213,410	334,556,772	40,831,590	(17,567,795)	-1.2%
10,001 - 12,000	157,722	1,732,743,912	164,051	236,949	428,150,881	41,300,732	(13,232,854)	-0.8%
12,001 - 14,000	147,941	1,922,452,692	168,293	232,616	482,986,731	37,191,141	-3,917,245	-0.2%
14,001 - 16,000	142,999	2,144,337,935	173,126	235,618	539,001,021	34,294,335	5,396,996	0.3%
16,001 - 18,000	136,302	2,316,161,221	178,275	232,583	542,492,838	30,696,462	15,494,172	0.7%
18,001 - 20,000	129,455	2,458,977,275	183,637	228,656	509,138,949	27,781,379	25,294,954	1.0%
20,001 - 22,000	122,727	2,576,125,548	185,660	221,934	472,293,898	24,632,313	34,897,955	1.4%
22,001 - 24,000	117,020	2,690,808,225	186,124	215,466	449,453,746	22,652,858	42,799,809	1.6%
24,001 - 26,000	111,818	2,794,300,750	182,000	207,039	446,413,781	20,606,720	50,062,095	1.8%
26,001 - 28,000	106,810	2,883,365,445	177,276	201,208	473,791,033	19,337,050	54,657,633	1.9%
28,001 - 30,000	103,033	2,987,706,072	172,701	195,311	502,554,865	18,006,929	59,869,874	2.0%
30,001 - 35,000	233,857	7,586,463,836	407,399	454,977	1,253,044,455	40,009,101	163,343,552	2.2%
35,001 - 40,000	205,400	7,692,005,860	380,467	424,498	1,192,642,863	33,635,352	180,628,266	2.3%
40,001 - 45,000	184,901	7,848,905,102	379,736	406,583	1,115,986,025	27,753,248	196,518,985	2.5%
45,001 - 50,000	167,574	7,955,382,889	369,626	391,064	1,078,086,272	22,859,630	208,893,264	2.6%
Over 50,000	1,421,406	156,075,657,018	4,016,934	4,010,015	28,348,102,132	149,602,239	4,545,150,261	2.9%
Totals	4,639,218	\$213,455,154,939	7,764,869	8,769,595	\$37,406,296,978	\$843,699,668	\$5,339,123,168	2.5%

⁽¹⁾Includes 233,531 credit-only returns.

⁽²⁾Since the value of some taxpayers' exemptions exceed their income, "effective exemptions" are defined as those personal exemptions that offset income.

⁽³⁾Does not include Farmland Preservation Credits or Prescription Drug Credits.

⁽⁴⁾The less than \$1 category includes tax returns reporting a negative AGI.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 11
Breakdown of Upper Income Filers
Individual Income Tax, 2002

<u>Adjusted Gross Income Group</u>	<u>Number of Returns Filed</u>	<u>Adjusted Gross Income</u>	<u>Effective Personal Exemptions⁽¹⁾</u>	<u>Claimed Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Total Credits⁽²⁾</u>	<u>Effective Tax</u>	<u>Effective Tax as a % of Income</u>
\$50,001 - 55,000	156,021	\$8,186,941,561	362,053	381,070	\$1,084,609,761	\$22,894,548	\$219,218,423	2.7%
55,001 - 60,000	146,350	8,410,949,465	356,317	372,109	1,061,860,780	20,674,146	232,454,093	2.8%
60,001 - 65,000	132,931	8,302,773,682	337,273	351,825	1,022,782,020	18,148,097	234,764,887	2.8%
65,001 - 70,000	120,725	8,143,857,607	315,511	329,534	973,712,931	14,487,038	236,868,639	2.9%
70,001 - 75,000	108,745	7,878,492,586	293,706	305,375	907,410,361	14,126,411	232,058,210	2.9%
75,001 - 80,000	94,425	7,312,967,518	260,961	270,315	817,010,234	9,050,484	222,130,335	3.0%
80,001 - 85,000	83,671	6,899,018,606	235,728	243,979	745,062,351	4,672,343	215,955,825	3.1%
85,001 - 90,000	72,791	6,365,280,592	207,945	215,768	653,097,883	3,091,723	203,193,664	3.2%
90,001 - 95,000	62,945	5,818,447,677	182,275	188,116	579,327,284	2,844,858	187,525,155	3.2%
95,001 - 100,000	54,044	5,265,963,929	157,083	162,708	518,247,012	2,873,338	170,730,695	3.2%
100,001 - 110,000	85,078	8,911,481,849	249,285	257,591	869,323,376	4,620,855	291,709,124	3.3%
110,001 - 120,000	62,573	7,179,092,228	184,950	190,958	694,482,838	3,417,904	237,677,918	3.3%
120,001 - 130,000	44,845	5,589,877,788	131,596	136,248	542,569,589	2,798,087	186,508,847	3.3%
130,001 - 140,000	33,627	4,531,941,593	97,354	103,633	438,726,530	2,413,037	152,371,189	3.4%
140,001 - 150,000	25,479	3,688,902,116	75,416	78,393	362,484,401	1,981,540	124,287,748	3.4%
150,001 - 160,000	19,508	3,019,780,711	56,525	60,079	313,393,432	1,662,878	101,707,636	3.4%
160,001 - 170,000	15,036	2,478,371,464	44,252	46,606	263,198,661	1,325,786	83,536,270	3.4%
170,001 - 180,000	11,879	2,076,791,739	34,318	36,668	233,668,537	1,044,935	69,892,714	3.4%
180,001 - 190,000	9,596	1,773,705,858	26,925	29,769	202,340,056	882,605	59,904,788	3.4%
190,001 - 200,000	7,968	1,552,616,892	22,445	24,459	179,027,470	842,023	52,436,927	3.4%
200,001 - 300,000	38,206	9,137,217,232	102,762	118,776	1,118,808,934	4,764,104	310,034,214	3.4%
300,001 - 400,000	13,383	4,594,779,551	34,676	41,758	599,352,473	2,343,118	156,741,416	3.4%
400,001 - 500,000	6,348	2,825,716,851	14,408	19,725	431,509,712	1,412,822	94,778,540	3.4%
500,001 - 750,000	6,868	4,139,971,573	14,339	20,563	823,400,373	1,951,613	132,058,717	3.2%
750,001 - 1,000,000	2,739	2,358,862,737	5,095	8,151	628,627,724	936,260	69,302,691	2.9%
Over \$1,000,000	5,625	19,631,853,613	213,735	15,839	12,284,067,409	4,341,686	267,301,596	1.4%
Totals for AGI over \$50,000	388,758	\$83,490,963,795	1,308,083	1,189,216	\$19,984,981,515	\$36,739,253	\$2,390,250,335	2.9%

⁽¹⁾Since the value of some taxpayers' exemptions exceed their income, "effective exemptions" are defined as those exemptions that offset income.

⁽²⁾Does not include Farmland Preservation Credits.

Exhibit 12
Tax Base Deductions as a Percentage of AGI
Individual Income Tax, 2002

<u>Adjusted Gross Income Group</u>	<u>Total Effective Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Nonrefundable Credits⁽¹⁾</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>
Less than \$1					
\$ 1 - 2,000	73.0%	19.7%	0.0%	317.7%	81.9%
2,001 - 4,000	58.7%	13.1%	0.0%	99.0%	25.5%
4,001 - 6,000	37.6%	23.9%	0.6%	76.2%	16.3%
6,001 - 8,000	40.7%	20.0%	0.9%	68.5%	11.9%
8,001 - 10,000	37.7%	23.1%	0.8%	59.9%	8.1%
10,001 - 12,000	35.8%	24.7%	1.1%	51.4%	5.6%
12,001 - 14,000	32.7%	25.1%	1.0%	43.0%	3.2%
14,001 - 16,000	29.7%	25.1%	1.2%	36.0%	1.9%
16,001 - 18,000	27.9%	23.4%	1.2%	30.1%	1.0%
18,001 - 20,000	26.6%	20.7%	1.2%	25.7%	0.6%
20,001 - 22,000	25.3%	18.3%	1.2%	21.8%	0.4%
22,001 - 24,000	24.0%	16.7%	1.1%	19.2%	0.2%
24,001 - 26,000	22.3%	16.0%	1.3%	16.6%	0.1%
26,001 - 28,000	21.0%	16.4%	1.2%	15.1%	0.1%
28,001 - 30,000	19.6%	16.8%	1.0%	13.7%	0.0%
30,001 - 35,000	18.1%	16.5%	1.1%	11.7%	0.0%
35,001 - 40,000	16.6%	15.5%	1.1%	9.5%	0.0%
40,001 - 45,000	16.1%	14.2%	0.7%	7.9%	0.0%
45,001 - 50,000	15.4%	13.6%	0.3%	6.7%	0.0%
50,001 - 55,000	14.6%	13.2%	1.1%	5.7%	0.0%
55,001 - 60,000	14.0%	12.6%	1.1%	4.9%	0.0%
60,001 - 65,000	13.4%	12.3%	1.1%	4.2%	0.0%
65,001 - 70,000	12.8%	12.0%	0.6%	3.8%	0.0%
70,001 - 75,000	12.3%	11.5%	1.2%	3.2%	0.0%
75,001 - 80,000	11.7%	11.2%	1.2%	1.8%	0.0%

Exhibit 12 (cont.)

<u>Adjusted Gross Income Group</u>	<u>Total Effective Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Nonrefundable Credits⁽¹⁾</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>
80,001 - 85,000	11.2%	10.8%	1.2%	0.4%	0.0%
85,001 - 90,000	10.7%	10.3%	1.1%	0.1%	0.0%
90,001 - 95,000	10.2%	10.0%	1.2%	0.0%	0.0%
95,001 - 100,000	9.8%	9.8%	1.3%	0.0%	0.0%
100,001 - 110,000	9.1%	9.8%	1.2%	0.0%	0.0%
110,001 - 120,000	8.4%	9.7%	1.1%	0.0%	0.0%
120,001 - 130,000	7.7%	9.7%	1.2%	0.0%	0.0%
130,001 - 140,000	7.0%	9.7%	1.3%	0.0%	0.0%
140,001 - 150,000	6.7%	9.8%	1.3%	0.0%	0.0%
150,001 - 160,000	6.1%	10.4%	1.3%	0.0%	0.0%
160,001 - 170,000	5.9%	10.6%	1.3%	0.0%	0.0%
170,001 - 180,000	5.4%	11.3%	1.2%	0.0%	0.0%
180,001 - 190,000	5.0%	11.4%	1.2%	0.0%	0.0%
190,001 - 200,000	4.8%	11.5%	1.3%	0.0%	0.0%
200,001 - 300,000	3.7%	12.2%	1.3%	0.0%	0.0%
300,001 - 400,000	2.5%	13.0%	1.2%	0.0%	0.0%
400,001 - 500,000	1.7%	15.3%	1.2%	0.0%	0.0%
500,001 - 750,000	1.2%	19.9%	1.1%	0.0%	0.0%
750,001 - 1,000,000	0.7%	26.6%	1.0%	0.0%	0.0%
Over \$1,000,000	3.7%	62.6%	0.5%	0.0%	0.0%
Overall Percent	11.8%	17.5%	1.0%	7.8%	0.8%

⁽¹⁾Nonrefundable credits, home heating credits, and property tax credits are divided by the tax rate (4.1%) to determine the equivalent income tax deduction. Nonrefundable credits for 2001 are: the city income tax credit, the college contribution credit, the homeless shelter/food bank contribution credit, the other state tax credit, the tuition tax credit, and the Michigan historic preservation credit.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 13
Distribution of Personal Exemptions
Claimed on 2002 Individual Income Tax Returns⁽¹⁾

Adjusted Gross Income Group	Exemptions Claimed							Total	Total
	<u>Zero</u>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>	<u>Six or More</u>	<u>Returns</u>	<u>Exemptions⁽²⁾</u>
Zero Income	9,157	24,754	10,492	2,304	1,921	960	644	50,232	69,642
\$ 1 - 2,000	90,844	52,081	11,790	3,924	1,569	538	305	161,051	98,534
2,001 - 4,000	101,011	61,523	17,080	7,145	2,373	878	433	190,443	134,031
4,001 - 6,000	74,433	72,231	21,580	9,152	3,008	1,059	506	181,969	163,716
6,001 - 8,000	47,577	79,771	27,471	11,271	3,918	1,349	686	172,043	195,745
8,001 - 10,000	30,578	80,306	29,254	13,318	4,868	1,725	935	160,984	213,410
10,001 - 12,000	20,145	79,586	32,573	15,632	6,083	2,466	1,237	157,722	236,949
12,001 - 14,000	12,703	76,337	35,600	14,000	5,846	2,245	1,210	147,941	232,616
14,001 - 16,000	8,197	73,502	37,687	13,888	6,029	2,455	1,241	142,999	235,618
16,001 - 18,000	5,385	69,317	37,487	14,141	6,329	2,474	1,169	136,302	232,583
18,001 - 20,000	3,453	64,765	36,739	13,933	6,681	2,649	1,235	129,455	228,656
20,001 - 22,000	2,424	61,035	34,720	13,542	6,839	2,846	1,321	122,727	221,934
22,001 - 24,000	1,644	58,183	32,702	13,184	7,028	2,869	1,410	117,020	215,466
24,001 - 26,000	1,188	56,306	30,521	12,530	6,992	2,917	1,364	111,818	207,039
26,001 - 28,000	934	53,034	29,492	11,719	7,170	2,937	1,524	106,810	201,208
28,001 - 30,000	666	51,262	28,318	11,186	7,098	3,029	1,474	103,033	195,311
30,001 - 35,000	1,132	112,649	66,271	24,624	17,653	7,697	3,831	233,857	454,977
35,001 - 40,000	591	90,290	60,442	23,075	18,795	8,265	3,942	205,400	424,498
40,001 - 45,000	427	72,616	55,926	22,648	20,353	8,879	4,052	184,901	406,583
45,001 - 50,000	271	57,632	52,364	22,057	21,851	9,332	4,067	167,574	391,064
50,001 - 55,000	207	46,761	50,540	22,095	22,948	9,569	3,901	156,021	381,070
55,001 - 60,000	148	37,657	49,363	22,162	23,596	9,556	3,868	146,350	372,109
60,001 - 65,000	125	28,532	46,247	21,338	23,638	9,562	3,489	132,931	351,825
65,001 - 70,000	80	22,112	42,964	20,136	22,869	9,169	3,395	120,725	329,534
70,001 - 75,000	71	16,716	39,395	18,559	22,124	8,732	3,148	108,745	305,375
75,001 - 80,000	72	12,750	34,265	16,464	20,143	8,023	2,708	94,425	270,315

Exhibit 13 (cont.)

Adjusted Gross Income Group	Exemptions Claimed							Total Returns	Total Exemptions⁽²⁾
	<u>Zero</u>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>	<u>Six or More</u>		
80,001 - 85,000	64	9,796	30,288	15,298	18,318	7,454	2,453	83,671	243,979
85,001 - 90,000	58	7,527	26,355	13,382	16,542	6,636	2,291	72,791	215,768
90,001 - 95,000	48	5,828	22,867	11,712	14,810	5,791	1,889	62,945	188,116
95,001 - 100,000	44	4,614	19,707	10,039	12,861	5,167	1,612	54,044	162,708
100,001 - 110,000	45	6,577	31,388	15,972	20,422	8,042	2,632	85,078	257,591
110,001 - 120,000	46	4,322	23,120	11,875	15,195	6,057	1,958	62,573	190,958
120,001 - 130,000	23	2,941	17,168	8,240	10,800	4,330	1,343	44,845	136,248
130,001 - 140,000	26	2,125	12,388	6,309	8,300	3,374	1,105	33,627	103,633
140,001 - 150,000	27	1,594	9,339	4,858	6,322	2,557	782	25,479	78,393
150,001 - 160,000	13	1,264	7,201	3,596	4,829	1,963	642	19,508	60,079
160,001 - 170,000	10	997	5,510	2,662	3,754	1,567	536	15,036	46,606
170,001 - 180,000	25	841	4,374	2,042	2,896	1,269	432	11,879	36,668
180,001 - 190,000	9	716	3,500	1,584	2,384	1,028	375	9,596	29,769
190,001 - 200,000	5	631	2,907	1,311	1,995	866	253	7,968	24,459
200,001 - 300,000	53	3,058	13,938	5,859	9,339	4,402	1,557	38,206	118,776
300,001 - 400,000	17	1,165	4,934	1,840	3,176	1,628	623	13,383	41,758
400,001 - 500,000	15	575	2,359	846	1,471	782	300	6,348	19,725
500,001 - 750,000	12	700	2,757	903	1,440	756	300	6,868	20,563
50,001 - 1,000,000	9	303	1,092	348	561	303	123	2,739	8,151
Over \$1,000,000	<u>17</u>	<u>794</u>	<u>2,429</u>	<u>621</u>	<u>960</u>	<u>572</u>	<u>232</u>	<u>5,625</u>	<u>15,839</u>
Totals	414,029	1,568,076	1,194,904	513,324	454,097	186,724	74,533	4,405,687	8,769,595

⁽¹⁾Values in this table are based on 4,405,687 MI-1040 tax returns on file.

⁽²⁾Total exemptions calculation assumes 7 exemptions for each return listing 6 or more exemptions.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 14
Distribution of Special Exemptions and Child Deductions
Claimed on 2002 Individual Income Tax Returns⁽¹⁾

<u>Adjusted Gross Income Group</u>	<u>Age Exemptions</u>	<u>Deaf/ Blind/Disabled Exemptions</u>	<u>Unemployed Exemptions</u>	<u>Child 18 and Under Exemptions</u>	<u>Claimed as Dependent Exemptions</u>
Zero Income	17,454	4,685	923	12,694	8,522
\$ 1 - 2,000	25,382	5,965	512	18,315	91,070
2,001 - 4,000	25,401	4,724	1,807	32,292	101,238
4,001 - 6,000	31,713	4,811	3,034	40,265	74,608
6,001 - 8,000	39,052	5,185	4,029	50,132	47,664
8,001 - 10,000	45,662	5,135	4,374	56,967	30,755
10,001 - 12,000	51,115	4,890	4,196	66,336	20,327
12,001 - 14,000	51,014	4,744	4,220	61,239	12,899
14,001 - 16,000	50,650	4,433	3,650	60,463	8,371
16,001 - 18,000	46,531	4,106	2,858	60,680	5,590
18,001 - 20,000	40,264	3,649	2,277	61,235	3,647
20,001 - 22,000	33,476	3,317	1,620	60,929	2,596
22,001 - 24,000	27,993	3,166	1,088	60,347	1,830
24,001 - 26,000	24,294	2,791	604	57,309	1,353
26,001 - 28,000	22,416	2,560	254	55,491	1,081
28,001 - 30,000	20,450	2,345	154	52,689	833
30,001 - 35,000	44,128	5,165	226	121,159	1,535
35,001 - 40,000	35,656	4,444	104	115,774	965
40,001 - 45,000	28,856	3,913	53	114,901	732
45,001 - 50,000	25,057	3,073	32	113,786	569
50,001 - 55,000	22,461	3,041	39	112,588	485
55,001 - 60,000	20,214	2,899	19	110,735	398
60,001 - 65,000	18,560	2,573	17	105,404	287
65,001 - 70,000	17,338	2,303	14	99,034	235
70,001 - 75,000	15,477	2,006	17	92,155	210
75,001 - 80,000	13,103	1,586	12	81,580	205
80,001 - 85,000	10,949	1,345	12	73,793	158
85,001 - 90,000	9,241	1,108	9	65,414	142
90,001 - 95,000	7,909	937	8	56,189	109
95,001 - 100,000	6,777	809	9	48,554	115
Over \$100,000	60,438	4,373	63	351,722	763
Totals	889,031	106,081	36,234	2,470,171	419,292

⁽¹⁾Values in this table are based on 4,405,687 MI-1040 tax returns on file.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 15
Four-Year Comparison of Individual Income Tax Credits
(Number and Amount in Thousands)

	1999			2000			2001			2002		
	<u>Number</u>	<u>Amount</u>	<u>Average</u>	<u>Number</u>	<u>Amount</u>	<u>Average</u>	<u>Number</u>	<u>Amount</u>	<u>Average</u>	<u>Number</u>	<u>Amount</u>	<u>Average</u>
Property Tax Credits												
General	722.0	\$236,806.5	\$327.97	743.1	\$256,411.6	\$345.05	815.0	\$307,264.6	\$377.03	898.8	\$370,010.1	\$411.68
Senior Citizen ⁽¹⁾												
Standard	372.3	222,054.4	596.51	364.2	220,132.0	604.37	381.8	245,680.5	643.45	409.9	283,828.7	692.40
Low Income Rent	11.4	4,032.7	354.08	10.6	3,739.8	352.81	10.3	3,584.2	347.98	10.7	3,673.9	341.94
Veteran	12.7	1,629.7	127.83	12.2	1,511.1	124.18	11.4	1,407.1	123.37	10.3	1,286.4	124.73
Blind	1.9	237.9	125.56	1.8	219.7	123.56	1.6	202.9	123.93	1.5	185.4	120.50
Disabled ⁽²⁾	28.6	8,897.2	310.75	39.3	19,288.0	490.34	44.1	23,115.3	523.91	49.5	27,271.5	551.32
Farmland	7.2	17,333.9	2,418.57	7.4	19,051.1	2,587.42	9.5	30,264.3	3,170.69	9.2	31,572.0	3,416.89
Total Property Tax Credits	1,144.7	\$486,959.7	\$425.39	1,168.0	\$516,613.4	\$442.31	1,263.5	\$607,934.6	\$481.15	1,379.3	\$714,154.2	\$517.78
Home Heating Credit	307.5	\$50,578.1	\$164.50	317.5	\$59,157.2	\$186.34	315.2	\$61,606.6	\$195.44	335.9	\$68,865.5	\$205.03
Prescription Drug Credit	31.3	\$15,802.3	\$504.30	29.1	\$14,804.3	\$509.05	27.4	\$14,052.6	\$511.97	n.a.	n.a.	n.a.
Adoption Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.0	1,195.6	1,182.3	1.1	\$1,366.1	\$1,266.07
City Income Tax Credit	1,028.1	\$38,014.2	\$36.98	1,035.7	\$38,576.7	\$37.25	996.4	\$36,951.5	\$37.08	929.8	\$34,387.1	\$36.98
Public Contribution												
Credit	274.7	\$23,305.6	\$84.85	284.3	\$24,559.2	\$86.38	285.7	\$24,721.3	\$86.53	279.4	\$24,477.0	\$87.60
Credit for Income Tax Paid to												
Another State	41.6	\$28,332.3	\$681.72	43.8	\$31,779.2	\$725.57	42.2	\$31,309.2	\$742.47	40.5	\$30,782.1	\$760.54
Community Foundation Credit	23.7	\$2,214.1	\$93.51	27.0	\$2,542.1	\$94.20	26.9	\$2,546.8	\$94.58	27.7	\$2,646.4	\$95.69
Homeless/Food Bank Credit	167.7	\$12,380.4	\$73.83	180.4	\$13,746.9	\$76.22	192.8	\$14,815.1	\$76.84	198.3	\$15,422.0	\$77.78
College Tuition Credit	52.9	\$4,769.1	\$90.20	60.4	\$5,640.8	\$93.38	74.6	\$8,111.2	\$108.76	51.5	\$5,143.6	\$99.91
Historic Preservation Credit ⁽³⁾	0.4	\$136.7	\$323.15	0.1	\$183.3	\$1,851.51	0.1	\$279.3	\$2,428.66	0.2	\$814.3	\$4,995.47

⁽¹⁾The low-income rent credit amount represents an amount over the standard senior credit. Therefore, the number of filers listed and the credit amount for the standard senior credit includes the low-income rent credit recipients, and the number of low-income rent credits is not included (again) in the total number and amount of property tax credits.

⁽²⁾This category includes credits for paraplegic, quadriplegic and totally disabled persons for years before 2000, and for blind/deaf, paraplegic, quadriplegic and totally disabled persons for years 2000 and after.

⁽³⁾Figures based on ORTA Individual Income Tax simulation model and income tax samples for each tax year.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury

Exhibit 16
Distribution of Credits
Individual Income Tax, 2002⁽¹⁾

Adjusted Gross Income Group	Number of MI-1040s Filed	% of Total MI-1040s Filed ⁽²⁾	General Property Tax Credit ⁽²⁾			City Income Tax Credit			College Contribution Credit		
			Number Claiming Credit	% of Property Tax Credits Filed	\$ Amount of Credit	Number Claiming Credit	AGI Group % of MI-1040s Filed	\$ Amount of Credit	Number Claiming Credit	AGI Group % of MI-1040s Filed	\$ Amount of Credit
Less than \$1	50,232	1.1%	14,271	1.6%	\$11,133,835	1,660	0.2%	\$49,465	835	0.3%	\$71,156
\$ 1 - 2,000	161,051	3.7%	14,665	1.7%	6,641,420	11,377	1.2%	59,548	671	0.2%	33,168
2,001 - 4,000	190,443	4.3%	22,548	2.6%	8,901,602	26,117	2.8%	204,301	1,202	0.4%	57,242
4,001 - 6,000	181,969	4.1%	30,035	3.4%	11,999,991	28,693	3.1%	317,727	1,773	0.6%	94,310
6,001 - 8,000	172,043	3.9%	37,244	4.2%	15,305,807	29,118	3.1%	400,975	2,145	0.8%	119,997
8,001 - 10,000	160,984	3.7%	39,025	4.4%	16,291,217	27,774	3.0%	454,592	2,398	0.9%	139,856
10,001 - 12,000	157,722	3.6%	42,124	4.8%	17,843,569	27,823	3.0%	516,145	2,721	1.0%	160,276
12,001 - 14,000	147,941	3.4%	40,484	4.6%	16,640,443	26,920	2.9%	557,946	3,005	1.1%	185,802
14,001 - 16,000	142,999	3.2%	40,349	4.6%	16,205,033	27,222	2.9%	620,438	3,404	1.2%	210,542
16,001 - 18,000	136,302	3.1%	39,558	4.5%	15,420,242	27,103	2.9%	676,156	3,472	1.2%	220,766
18,001 - 20,000	129,455	2.9%	39,062	4.4%	14,980,492	27,202	2.9%	759,565	3,572	1.3%	239,567
20,001 - 22,000	122,727	2.8%	37,918	4.3%	14,350,683	26,941	2.9%	780,508	3,654	1.3%	248,291
22,001 - 24,000	117,020	2.7%	36,969	4.2%	13,863,549	26,963	2.9%	824,123	3,859	1.4%	257,936
24,001 - 26,000	111,818	2.5%	34,696	3.9%	12,987,316	25,718	2.8%	836,069	3,873	1.4%	266,603
26,001 - 28,000	106,810	2.4%	32,762	3.7%	12,302,831	24,505	2.6%	830,202	3,986	1.4%	277,890
28,001 - 30,000	103,033	2.3%	30,843	3.5%	11,721,580	23,226	2.5%	805,192	4,172	1.5%	290,904
30,001 - 35,000	233,857	5.3%	67,440	7.6%	26,110,277	53,108	5.7%	1,915,606	10,713	3.8%	748,748
35,001 - 40,000	205,400	4.7%	55,628	6.3%	22,199,940	47,601	5.1%	1,803,005	10,891	3.9%	783,430
40,001 - 45,000	184,901	4.2%	46,518	5.3%	19,347,344	43,733	4.7%	1,748,403	11,308	4.0%	830,509
45,001 - 50,000	167,574	3.8%	38,408	4.4%	16,644,779	40,005	4.3%	1,647,109	11,745	4.2%	884,651
50,001 - 55,000	156,021	3.5%	32,358	3.7%	14,540,310	37,869	4.1%	1,604,558	11,838	4.2%	899,308
55,001 - 60,000	146,350	3.3%	27,963	3.2%	12,969,222	36,931	4.0%	1,634,905	11,802	4.2%	926,714
60,001 - 65,000	132,931	3.0%	23,520	2.7%	11,196,782	33,647	3.6%	1,507,606	11,603	4.2%	936,993
65,001 - 70,000	120,725	2.7%	20,098	2.3%	9,838,103	30,560	3.3%	1,386,775	11,790	4.2%	963,123
70,001 - 75,000	108,745	2.5%	17,114	1.9%	8,437,472	27,529	3.0%	1,271,881	11,449	4.1%	968,075
75,001 - 80,000	94,425	2.1%	13,581	1.5%	4,614,319	24,319	2.6%	1,137,988	10,711	3.8%	928,062
80,001 - 85,000	83,671	1.9%	6,788	0.8%	1,044,410	21,962	2.4%	1,054,902	10,170	3.6%	887,802
85,001 - 90,000	72,791	1.7%	353	0.0%	118,589	19,128	2.1%	946,738	9,445	3.4%	845,455
90,001 - 95,000	62,945	1.4%	90	0.0%	45,820	16,850	1.8%	855,561	8,615	3.1%	794,621
95,001 - 100,000	54,044	1.2%	69	0.0%	39,365	14,400	1.5%	743,365	8,134	2.9%	757,277
Over \$100,000	<u>388,758</u>	8.8%	<u>313</u>	0.0%	<u>181,272</u>	<u>93,783</u>	10.1%	<u>6,435,776</u>	<u>84,446</u>	30.2%	<u>9,447,918</u>
Totals	4,405,687	100.0%	882,794	100.0%	\$363,917,614	929,787	100.0%	\$34,387,129	279,402	100.0%	\$24,476,992

⁽¹⁾Values in this table are based on 4,405,687 MI-1040 tax returns on file.

⁽²⁾15,980 general property tax credits totaling \$6,092,514 were claimed on MI-1040CR returns that were filed without an MI-1040.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 17
Distribution of Property Tax Credits Claimed
Individual Income Tax, 2002 ⁽¹⁾

Adjusted Gross Income Group	General			Senior Citizens ⁽²⁾			Veterans			Disabled ⁽³⁾		
	Number of Credits	% of Total Credits	\$ Amount of Credit	Number of Credits	% of Total Credits	\$ Amount of Credit	Number of Credits	% of Total Credits	\$ Amount of Credit	Number of Credits	% of Total Credits	\$ Amount of Credit
	<u>Allowed</u>	<u>Allowed</u>	<u>of Credit</u>	<u>Allowed</u>	<u>Allowed</u>	<u>of Credit</u>	<u>Allowed</u>	<u>Allowed</u>	<u>of Credit</u>	<u>Allowed</u>	<u>Allowed</u>	<u>of Credit</u>
Zero Income ⁽⁴⁾	27,092	3.0%	\$16,122,269	94,561	23.1%	\$61,525,866	1,654	16.0%	\$236,326	24,012	47.1%	\$12,556,428
\$ 1 - 2,000	14,803	1.6%	6,690,099	18,415	4.5%	14,020,048	155	1.5%	23,297	3,528	6.9%	2,052,887
2,001 - 4,000	22,721	2.5%	8,959,208	17,221	4.2%	13,031,901	126	1.2%	17,473	2,076	4.1%	1,171,569
4,001 - 6,000	30,209	3.4%	12,061,095	20,370	5.0%	15,119,784	168	1.6%	23,225	2,034	4.0%	1,138,606
6,001 - 8,000	37,462	4.2%	15,380,759	23,876	5.8%	17,190,036	210	2.0%	27,347	2,118	4.2%	1,203,720
8,001 - 10,000	39,221	4.4%	16,358,862	25,577	6.2%	18,034,355	278	2.7%	36,413	1,934	3.8%	1,110,276
10,001 - 12,000	42,323	4.7%	17,915,988	25,530	6.2%	17,643,431	315	3.1%	41,338	1,655	3.2%	917,091
12,001 - 14,000	40,665	4.5%	16,701,242	23,647	5.8%	16,295,754	363	3.5%	47,535	1,494	2.9%	816,480
14,001 - 16,000	40,522	4.5%	16,260,843	21,591	5.3%	14,598,466	365	3.5%	44,655	1,291	2.5%	721,714
16,001 - 18,000	39,716	4.4%	15,474,374	18,400	4.5%	12,506,460	332	3.2%	42,577	1,133	2.2%	602,617
18,001 - 20,000	39,212	4.4%	15,027,427	15,219	3.7%	10,332,985	328	3.2%	40,590	963	1.9%	510,513
20,001 - 22,000	38,059	4.2%	14,397,484	11,886	2.9%	8,135,720	266	2.6%	32,861	843	1.7%	429,081
22,001 - 24,000	37,093	4.1%	13,905,428	9,942	2.4%	6,822,958	284	2.8%	38,439	810	1.6%	437,052
24,001 - 26,000	34,824	3.9%	13,030,346	8,322	2.0%	5,639,598	256	2.5%	33,491	636	1.2%	325,450
26,001 - 28,000	32,874	3.7%	12,337,808	7,604	1.9%	5,216,798	223	2.2%	27,336	585	1.1%	301,133
28,001 - 30,000	30,930	3.4%	11,749,509	6,708	1.6%	4,641,427	234	2.3%	30,403	544	1.1%	301,370
30,001 - 35,000	67,632	7.5%	26,175,076	13,675	3.3%	9,559,653	588	5.7%	71,717	1,081	2.1%	575,129
35,001 - 40,000	55,757	6.2%	22,242,857	10,321	2.5%	7,250,063	543	5.3%	64,730	885	1.7%	460,200
40,001 - 45,000	46,618	5.2%	19,381,487	7,969	1.9%	5,705,110	543	5.3%	65,670	750	1.5%	401,649
45,001 - 50,000	38,486	4.3%	16,676,487	6,662	1.6%	4,818,157	553	5.4%	66,601	502	1.0%	278,741
50,001 - 55,000	32,418	3.6%	14,565,635	5,642	1.4%	4,164,742	507	4.9%	59,048	497	1.0%	276,928
55,001 - 60,000	28,010	3.1%	12,990,711	4,616	1.1%	3,435,695	502	4.9%	58,211	446	0.9%	252,217
60,001 - 65,000	23,576	2.6%	11,224,132	3,838	0.9%	2,900,710	460	4.5%	52,455	336	0.7%	191,338
65,001 - 70,000	20,146	2.2%	9,859,076	3,204	0.8%	2,447,823	410	4.0%	48,308	319	0.6%	192,713
70,001 - 75,000	17,151	1.9%	8,455,003	2,590	0.6%	1,752,356	306	3.0%	33,543	282	0.6%	140,581
75,001 - 80,000	13,603	1.5%	4,620,695	1,924	0.5%	808,940	248	2.4%	17,149	167	0.3%	65,017
80,001 - 85,000	6,805	0.8%	1,049,521	466	0.1%	135,179	69	0.7%	2,298	61	0.1%	14,201
85,001 - 90,000	356	0.0%	119,590	67	0.0%	30,481	9	0.1%	913	9	0.0%	3,712
90,001 - 95,000	93	0.0%	46,819	21	0.0%	15,485	6	0.1%	638	3	0.0%	2,214
95,001 - 100,000	71	0.0%	40,546	7	0.0%	6,631	6	0.1%	950	-	0.0%	-
Over 100,000	326	0.0%	189,752	49	0.0%	42,092	6	0.1%	819	11	0.0%	6,313
Totals	898,774	100.0%	\$370,010,128	409,920	100.0%	\$283,828,704	10,313	100.0%	\$1,286,356	51,005	100.0%	\$27,456,940

⁽¹⁾Values in this table are based on a sample of the 4,639,218 MI-1040 and MI-1040CR returns.

⁽²⁾Includes Senior Citizen Low Income Rent Credits.

⁽³⁾Includes blind, blind/deaf, paraplegic, quadriplegic, and totally disabled.

⁽⁴⁾Represents those individuals who had no taxable income, but did receive a property tax credit.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 18
Distribution of Senior Citizen Property Tax Credits by Household Income
Individual Income Tax, 2002

<u>Household Income</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit</u>	<u>Property Tax Paid After Credit</u>
\$1,000 and below	2,111	\$5,613,292	\$2,229,396	\$3,383,896
1,001 - 2,000	441	688,673	393,700	294,973
2,001 - 3,000	659	888,142	547,557	340,585
3,001 - 4,000	1,146	1,228,268	902,990	325,278
4,001 - 5,000	1,912	1,974,729	1,443,901	530,828
5,001 - 6,000	3,570	3,298,239	2,464,454	833,785
6,001 - 7,000	10,445	8,742,387	6,710,661	2,031,726
7,001 - 8,000	8,009	7,752,264	5,163,975	2,588,289
8,001 - 9,000	9,516	9,588,265	6,163,305	3,424,960
9,000 - 10,000	11,019	11,984,174	7,239,476	4,744,698
10,001 - 11,000	11,599	13,463,598	7,747,749	5,715,849
11,001 - 12,000	11,564	14,028,829	7,928,899	6,099,930
12,001 - 13,000	11,401	14,630,103	8,055,013	6,575,090
13,001 - 14,000	11,391	15,516,216	8,084,098	7,432,118
14,001 - 15,000	11,839	16,096,642	8,405,212	7,691,430
15,001 - 16,000	12,054	16,894,531	8,604,954	8,289,577
16,001 - 17,000	12,312	18,047,095	8,759,886	9,287,209
17,001 - 18,000	12,439	18,136,817	8,742,450	9,394,367
18,001 - 19,000	12,266	19,615,524	8,668,635	10,946,889
19,001 - 20,000	11,945	18,479,529	8,445,680	10,033,849
20,001 - 21,000	11,965	19,678,085	8,417,775	11,260,310
21,001 - 22,000	11,638	19,205,541	8,191,355	11,014,186
22,001 - 23,000	11,278	18,875,237	7,829,863	11,045,374
23,001 - 24,000	10,849	18,500,223	7,488,279	11,011,944
24,001 - 25,000	10,576	19,735,969	7,372,326	12,363,643
25,001 - 26,000	9,973	17,623,581	6,914,307	10,709,274
26,001 - 27,000	9,656	17,570,707	6,722,706	10,848,001
27,001 - 28,000	9,319	17,261,265	6,383,184	10,878,081
28,001 - 29,000	8,964	16,837,493	6,129,123	10,708,370
29,001 - 30,000	8,802	16,903,695	5,988,952	10,914,743
30,001 - 35,000	37,793	76,689,208	25,640,675	51,048,533
35,001 - 40,000	29,014	64,957,038	19,724,905	45,232,133
40,001 - 45,000	21,349	52,402,292	14,535,663	37,866,629
45,001 - 50,000	15,361	41,049,698	10,635,510	30,414,188
50,001 - 60,000	18,941	57,764,942	13,663,045	44,101,897
60,001 - 70,000	10,222	35,774,458	7,766,557	28,007,901
70,001 - 80,000	5,612	22,518,329	3,560,265	18,958,064
Over 80,000	<u>970</u>	<u>4,056,124</u>	<u>162,223</u>	<u>3,893,901</u>
Totals	409,920	\$754,071,202	\$283,828,704	\$470,242,498

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 19
Distribution of General Property Tax Credits by Household Income
Individual Income Tax, 2002

<u>Household Income</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit</u>	<u>Property Tax Paid After Credit</u>
\$1,000 and below	15,698	\$35,679,177	\$12,384,868	\$23,294,309
1,001 - 2,000	4,459	4,957,729	2,377,234	2,580,495
2,001 - 3,000	6,300	6,246,182	2,915,288	3,330,894
3,001 - 4,000	8,787	8,209,787	3,781,947	4,427,840
4,001 - 5,000	11,198	10,297,129	4,542,583	5,754,546
5,001 - 6,000	14,139	13,184,697	5,669,869	7,514,828
6,001 - 7,000	19,825	18,863,622	7,841,091	11,022,531
7,001 - 8,000	19,380	19,388,841	7,899,171	11,489,670
8,001 - 9,000	19,874	20,779,727	8,124,532	12,655,195
9,000 - 10,000	20,901	22,381,736	8,583,808	13,797,928
10,001 - 11,000	22,564	25,505,392	9,531,355	15,974,037
11,001 - 12,000	21,912	24,787,834	9,024,643	15,763,191
12,001 - 13,000	21,916	26,074,752	8,995,061	17,079,691
13,001 - 14,000	21,965	26,533,265	8,985,471	17,547,794
14,001 - 15,000	21,658	26,323,209	8,714,367	17,608,842
15,001 - 16,000	21,905	27,079,542	8,674,910	18,404,632
16,001 - 17,000	21,087	26,585,759	8,236,808	18,348,951
17,001 - 18,000	21,218	27,536,763	8,201,927	19,334,836
18,001 - 19,000	20,975	28,070,311	8,190,470	19,879,841
19,001 - 20,000	20,861	28,401,559	7,867,878	20,533,681
20,001 - 21,000	20,336	28,473,710	7,744,277	20,729,433
21,001 - 22,000	20,159	28,699,046	7,599,331	21,099,715
22,001 - 23,000	19,703	28,749,208	7,385,189	21,364,019
23,001 - 24,000	19,369	28,780,363	7,226,021	21,554,342
24,001 - 25,000	18,492	28,330,531	6,978,343	21,352,188
25,001 - 26,000	17,955	28,092,433	6,751,259	21,341,174
26,001 - 27,000	17,776	28,511,652	6,675,822	21,835,830
27,001 - 28,000	17,027	27,951,230	6,394,856	21,556,374
28,001 - 29,000	16,442	27,968,982	6,248,581	21,720,401
29,001 - 30,000	16,040	28,031,718	6,110,106	21,921,612
30,001 - 35,000	71,468	132,464,559	27,646,216	104,818,343
35,001 - 40,000	58,183	119,900,174	23,200,492	96,699,682
40,001 - 45,000	48,154	109,272,694	19,968,658	89,304,036
45,001 - 50,000	39,479	98,691,864	17,137,202	81,554,662
50,001 - 60,000	61,180	172,795,350	27,902,383	144,892,967
60,001 - 70,000	43,954	143,113,096	21,328,385	121,784,711
70,001 - 80,000	30,708	113,333,582	12,562,304	100,771,278
Over 80,000	<u>5,727</u>	<u>22,823,190</u>	<u>607,422</u>	<u>22,215,768</u>
Totals	898,774	\$1,622,870,395	\$370,010,128	\$1,252,860,267

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 20
Distribution of Home Heating Credits by Household Income
Individual Income Tax, 2002

<u>Household Income</u>	<u>Senior Citizens</u>		<u>General</u>		<u>Disabled⁽¹⁾</u>		<u>Veterans</u>	
	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>
\$ 1,000 and below	869	\$560,080	11,637	\$5,549,733	291	\$142,022	5	\$1,639
1,001 - 2,000	199	94,570	4,507	1,598,099	89	39,166	1	277
2,001 - 3,000	270	119,155	5,999	1,971,761	135	50,482	4	718
3,001 - 4,000	438	180,834	8,134	2,526,015	259	88,528	3	613
4,001 - 5,000	765	295,152	10,629	3,039,322	463	141,335	4	931
5,001 - 6,000	1,482	483,529	13,813	3,591,576	1,092	273,610	15	3,592
6,001 - 7,000	2,880	825,962	28,184	6,227,268	9,113	1,763,224	66	12,864
7,001 - 8,000	9,456	2,193,550	20,190	4,208,498	2,327	464,336	39	8,207
8,001 - 9,000	6,816	1,487,368	19,854	3,713,961	2,079	380,972	46	8,332
9,001 - 10,000	7,954	1,465,428	18,679	3,376,453	2,120	370,602	84	11,305
10,001 - 11,000	8,883	1,394,628	16,529	3,237,222	1,952	336,989	44	7,630
11,001 - 12,000	8,855	1,162,494	14,526	2,489,083	1,476	228,036	39	5,028
12,001 - 13,000	8,012	780,718	13,117	2,024,520	1,204	178,195	43	4,718
13,001 - 14,000	6,630	501,972	9,321	1,654,644	754	157,365	18	3,131
14,001 - 15,000	2,226	329,274	8,140	1,298,148	504	105,552	27	5,221
15,001 - 16,000	1,780	293,093	7,788	1,046,200	504	96,941	33	4,659
16,001 - 17,000	1,750	242,073	5,411	751,320	408	80,980	21	2,498
17,001 - 18,000	1,534	182,977	3,826	598,020	280	64,498	22	4,154
19,001 - 20,000	1,368	138,022	3,689	469,824	255	49,841	23	2,328
Over 20,000	2,666	174,499	10,408	1,345,543	777	137,031	31	2,463
Totals	74,833	\$12,905,378	234,381	\$50,717,210	26,082	\$5,149,705	568	\$90,308
Average Credit		\$172.46		\$216.39		\$197.44		\$158.99

⁽¹⁾Includes blind, blind/deaf, paraplegic, quadriplegic, and totally disabled persons.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 21
2002 Income Tax Collections by County

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
ALCONA	\$387,272	\$162,527	\$2,426,204	0.0%
ALGER	252,666	101,216	3,067,350	0.1%
ALLEGAN	5,344,733	573,624	45,400,041	0.9%
ALPENA	1,435,526	379,962	10,852,440	0.2%
ANTRIM	1,423,367	222,679	8,554,240	0.2%
ARENAC	974,439	248,706	3,902,095	0.1%
BARAGA	192,230	78,988	2,156,810	0.0%
BARRY	2,172,226	245,091	24,484,487	0.5%
BAY	7,416,464	872,298	47,283,119	0.9%
BENZIE	687,305	142,646	5,955,761	0.1%
BERRIEN	8,131,041	1,552,508	74,743,485	1.4%
BRANCH	2,575,189	359,705	15,233,384	0.3%
CALHOUN	8,687,678	1,182,393	56,519,334	1.1%
CASS	2,413,328	351,729	16,000,659	0.3%
CHARLEVOIX	1,542,288	220,195	12,718,970	0.2%
CHEBOYGAN	892,625	315,078	8,139,528	0.2%
CHIPPEWA	1,030,469	343,617	11,492,796	0.2%
CLARE	953,227	520,372	9,162,115	0.2%
CLINTON	3,805,341	255,267	29,895,901	0.6%
CRAWFORD	344,136	136,725	3,598,794	0.1%
DELTA	1,424,249	449,365	15,169,698	0.3%
DICKINSON	1,218,578	229,583	11,779,553	0.2%
EATON	8,007,271	502,065	60,313,749	1.1%
EMMET	1,927,651	237,070	18,185,073	0.3%
GENESEE	20,747,873	3,644,459	215,555,368	4.1%
GLADWIN	1,096,616	341,723	7,782,102	0.1%
GOGEBIC	421,413	211,965	4,846,570	0.1%
GRAND TRAVERSE	5,869,153	409,391	46,952,970	0.9%
GRATIOT	2,737,928	427,023	14,611,734	0.3%
HILLSDALE	2,470,695	533,414	17,994,374	0.3%
HOUGHTON	797,547	381,043	10,814,942	0.2%
HURON	7,510,727	528,460	7,156,050	0.1%
INGHAM	21,831,180	1,712,755	138,670,868	2.6%
IONIA	2,659,020	389,095	26,152,771	0.5%
IOSCO	1,020,151	374,814	8,872,312	0.2%
IRON	335,770	170,623	3,551,643	0.1%
ISABELLA	3,360,832	407,943	37,238,639	0.7%
JACKSON	6,679,109	1,049,274	76,038,061	1.4%
KALAMAZOO	14,673,189	1,353,379	127,482,620	2.4%
KALKASKA	560,720	164,232	5,610,721	0.1%
KENT	32,105,677	2,894,856	334,656,330	6.3%
KEWEENAW	42,639	30,788	571,310	0.0%
LAKE	357,243	225,234	1,748,952	0.0%
LAPEER	3,540,659	407,125	46,642,606	0.9%

Exhibit 21 (cont.)

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
LEELANAU	\$1,177,943	\$94,244	\$12,263,493	0.2%
LENAWEE	7,500,827	560,631	44,046,340	0.8%
LIVINGSTON	6,897,761	275,842	89,845,424	1.7%
LUCE	67,993	79,469	1,988,765	0.0%
MACKINAC	411,300	129,570	3,912,505	0.1%
MACOMB	80,554,603	3,373,998	459,819,766	8.7%
MANISTEE	1,102,916	256,517	9,007,501	0.2%
MARQUETTE	1,710,151	462,996	26,084,205	0.5%
MASON	1,533,756	303,076	10,226,352	0.2%
MECOSTA	1,368,153	353,838	12,752,347	0.2%
MENOMINEE	749,085	302,893	9,074,561	0.2%
MIDLAND	3,648,358	452,221	50,936,977	1.0%
MISSAUKEE	851,747	167,506	3,340,302	0.1%
MONROE	7,527,682	628,352	74,603,998	1.4%
MONTCALM	3,168,784	632,932	22,685,608	0.4%
MONTMORENCY	296,740	156,240	2,593,905	0.0%
MUSKEGON	8,638,470	1,561,610	65,253,646	1.2%
NEWAYGO	2,169,968	448,268	14,321,547	0.3%
OAKLAND	111,402,519	3,645,854	1,027,474,539	19.4%
OCEANA	1,382,651	316,306	8,283,131	0.2%
OGEMAW	921,775	354,806	6,068,594	0.1%
ONTONAGON	145,850	95,034	2,405,831	0.0%
OSCEOLA	1,015,216	353,906	8,243,400	0.2%
OSCODA	159,726	109,631	1,895,818	0.0%
OTSEGO	719,567	161,465	9,251,716	0.2%
OTTAWA	14,116,750	809,956	149,487,185	2.8%
PRESQUE ISLE	569,806	228,475	4,203,142	0.1%
ROSCOMMON	1,082,967	373,745	6,858,450	0.1%
SAGINAW	10,970,391	1,991,921	88,334,195	1.7%
ST. CLAIR	10,697,955	1,043,817	86,224,921	1.6%
ST. JOSEPH	2,935,487	455,745	24,742,589	0.5%
SANILAC	4,272,560	602,021	13,642,539	0.3%
SCHOOLCRAFT	157,250	134,116	2,916,386	0.1%
SHIAWASSEE	4,239,950	557,531	34,951,215	0.7%
TUSCOLA	5,896,577	553,803	20,434,777	0.4%
VAN BUREN	4,764,917	736,131	33,800,715	0.6%
WASHTENAW	29,190,941	1,055,437	231,278,375	4.4%
WAYNE (excludes Detroit)	101,790,826	4,642,375	548,507,378	10.3%
WEXFORD	1,529,909	358,594	11,832,250	0.2%
OUTSIDE OF MICHIGAN	9,501,763	504,416	162,464,901	3.1%
DETROIT	<u>75,255,143</u>	<u>14,199,182</u>	<u>283,744,264</u>	<u>5.3%</u>
	\$714,154,173	\$68,865,475	\$5,309,790,082	100.0%

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 22 2002 Income Tax Data by County

<u>County</u>	2002	2002	Income Tax		Average		Average		Credits as a		Ratio of Property		Average	
	AGI	Average	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	Tax Credits	Rank	Property Tax	Rank
	(Millions)	AGI	Credits	Rank	Before Credits	Rank	After Credits	Rank	Before Credits	Rank	to 1040s Filed	Rank	Credit⁽¹⁾	Rank
ALCONA	\$139.9	\$30,409	\$3,073,162	77	\$668	82	\$527	81	21.1%	8	23.7%	53	\$356	63
ALGER	128.9	32,558	3,530,983	74	892	57	775	55	13.1%	68	19.0%	77	336	69
ALLEGAN	1,652.3	40,307	52,821,403	23	1,289	22	1,107	22	14.0%	58	26.1%	38	500	20
ALPENA	462.2	33,434	13,123,164	50	949	54	785	53	17.3%	28	29.0%	18	358	61
ANTRIM	389.4	37,276	10,558,994	55	1,011	45	819	50	19.0%	15	27.1%	28	502	19
ARENAC	198.6	30,242	5,274,355	68	803	74	594	78	26.0%	4	28.9%	19	513	17
BARAGA	93.9	31,751	2,503,867	79	847	68	730	63	13.9%	60	19.4%	76	335	70
BARRY	877.7	42,445	27,720,284	32	1,341	18	1,184	13	11.7%	76	22.9%	58	459	36
BAY	1,901.8	37,990	57,342,779	19	1,145	32	945	34	17.5%	27	31.2%	10	476	30
BENZIE	255.1	35,603	7,009,034	65	978	51	831	47	15.0%	46	23.9%	49	401	49
BERRIEN	2,832.8	39,365	87,754,859	14	1,219	25	1,039	23	14.8%	49	27.6%	25	410	48
BRANCH	621.9	34,016	18,709,595	39	1,023	43	833	46	18.6%	18	25.9%	39	544	13
CALHOUN	2,281.2	38,740	69,225,427	18	1,176	30	960	31	18.4%	20	32.1%	8	460	35
CASS	662.4	37,900	19,807,790	37	1,133	33	916	38	19.2%	14	23.7%	52	582	10
CHARLEVOIX	486.1	38,548	14,959,448	44	1,186	28	1,009	29	15.0%	47	26.7%	32	458	37
CHEBOYGAN	356.7	31,916	9,673,852	61	866	64	728	64	15.9%	37	22.5%	59	355	65
CHIPPEWA	485.1	32,624	13,348,807	49	898	56	773	56	13.9%	59	21.0%	70	329	73
CLARE	410.3	30,723	10,974,553	53	822	73	686	71	16.5%	32	21.6%	64	330	72
CLINTON	1,101.7	46,100	35,106,311	28	1,469	10	1,251	9	14.8%	48	27.4%	26	580	11
CRAWFORD	160.9	31,909	4,248,154	72	843	69	714	68	15.3%	42	21.8%	63	313	75
DELTA	605.4	35,151	17,574,969	41	1,020	44	881	40	13.7%	61	23.0%	57	359	60
DICKINSON	459.7	37,353	13,642,703	48	1,109	35	957	32	13.7%	62	25.1%	45	395	51
EATON	2,280.9	43,820	71,523,914	17	1,374	15	1,159	16	15.7%	38	30.4%	12	506	18
EMMET	672.3	43,446	21,001,257	36	1,357	16	1,175	15	13.4%	63	26.6%	33	468	33
GENESEE	8,092.9	41,992	247,136,450	6	1,282	23	1,118	21	12.8%	70	27.7%	23	389	53
GLADWIN	368.2	33,320	9,519,678	62	862	65	704	69	18.3%	23	26.6%	34	374	58
GOGEBIC	210.0	31,083	5,676,834	67	840	70	717	67	14.6%	53	21.9%	61	284	79
GRAND TRAVERSE	1,761.0	42,887	55,044,237	21	1,341	19	1,143	19	14.7%	51	29.7%	15	481	27
GRATIOT	603.9	34,472	18,005,201	40	1,028	42	834	45	18.8%	17	23.8%	51	658	4
HILLSDALE	715.4	35,192	21,850,561	35	1,075	37	885	39	17.6%	26	23.6%	54	516	16
HOUGHTON	442.8	31,340	12,444,490	51	881	61	765	57	13.1%	69	17.6%	79	322	74
HURON	540.8	31,946	14,882,767	45	879	63	423	83	51.9%	1	39.0%	2	1,137	1
INGHAM	5,311.2	43,279	169,972,661	8	1,385	14	1,130	20	18.4%	19	36.3%	4	490	23
IONIA	973.0	37,871	30,196,772	29	1,175	31	1,018	27	13.4%	64	21.2%	69	489	25
IOSCO	369.4	30,296	10,337,230	58	848	67	728	65	14.2%	56	24.4%	47	342	68
IRON	160.4	29,956	4,185,023	73	782	76	663	72	15.1%	43	21.4%	65	293	78
ISABELLA	1,379.5	46,014	42,363,202	25	1,413	13	1,242	10	12.1%	74	23.6%	55	476	29
JACKSON	2,705.1	40,825	85,423,005	15	1,289	21	1,148	18	11.0%	79	24.6%	46	410	47
KALAMAZOO	4,596.5	44,714	148,614,274	9	1,446	11	1,240	11	14.2%	55	32.5%	7	439	41
KALKASKA	233.3	31,603	6,533,110	66	885	59	760	58	14.1%	57	21.3%	67	356	62
KENT	11,714.0	45,877	386,303,918	4	1,513	7	1,311	7	13.4%	65	29.3%	17	430	43
KEWEENAW	24.7	28,449	669,575	83	771	77	658	73	14.7%	52	13.5%	82	364	59
LAKE	97.0	27,204	2,420,511	80	679	81	490	82	27.7%	2	29.9%	14	335	71
LAPEER	1,642.3	45,204	52,401,382	24	1,442	12	1,284	8	11.0%	78	21.4%	66	456	39

Exhibit 22 (cont.)

County	2002	2002	Income Tax		Average		Average		Credits as a		Ratio of Property		Average	
	AGI	AGI	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	Tax Credits	Rank	Property Tax	Rank
	(Millions)		Credits		Before Credits		After Credits		Before Credits		to 1040s Filed		Credit ⁽¹⁾	
LEELANAU	\$451.0	\$59,363	\$14,030,643	47	\$1,847	4	\$1,614	4	12.6%	71	26.2%	37	\$592	9
LENAWEE	1,762.4	41,135	54,887,110	22	1,281	24	1,028	24	19.8%	12	28.7%	20	609	6
LIVINGSTON	2,966.2	58,074	100,058,450	12	1,959	3	1,759	2	10.2%	82	25.7%	42	525	14
LUCE	81.5	32,661	2,201,283	82	882.63	60	797	52	9.7%	83	11.8%	83	231	83
MACKINAC	169.6	31,158	4,620,960	70	849	66	719	66	15.3%	41	20.0%	73	378	57
MACOMB	17,342.9	46,378	563,040,657	3	1,506	8	1,230	12	18.3%	22	37.5%	3	575	12
MANISTEE	376.6	34,626	10,734,174	54	987	49	828	48	16.1%	35	25.8%	40	393	52
MARQUETTE	1,000.1	36,669	29,288,941	30	1,074	38	956	33	10.9%	80	20.4%	72	308	76
MASON	430.3	34,044	12,422,718	52	983	50	809	51	17.7%	25	27.9%	22	435	42
MECOSTA	531.9	35,581	15,101,746	43	1,010	46	853	43	15.6%	39	22.0%	60	416	46
MENOMINEE	359.2	34,048	10,461,377	57	992	48	860	42	13.3%	66	20.0%	74	356	64
MIDLAND	1,820.1	50,952	57,103,006	20	1,599	5	1,426	5	10.8%	81	23.8%	50	430	44
MISSAUKEE	161.1	30,273	4,449,462	71	836	71	628	75	24.9%	6	26.9%	30	594	8
MONROE	2,980.3	47,115	94,428,272	13	1,493	9	1,179	14	21.0%	9	24.1%	48	495	21
MONTCALM	894.9	34,119	27,253,280	33	1,039	40	865	41	16.8%	30	25.3%	44	478	28
MONTMORENCY	142.0	28,936	3,152,296	76	642	83	528	80	17.7%	24	19.8%	75	305	77
MUSKEGON	2,557.1	36,219	78,649,030	16	1,114	34	924	37	17.0%	29	30.5%	11	401	50
NEWAYGO	589.3	34,793	17,536,871	42	1,035	41	846	44	18.3%	21	27.4%	27	468	34
OAKLAND	34,205.8	65,717	1,184,118,161	1	2,275	1	1,974	1	13.2%	67	33.4%	6	640	5
OCEANA	364.2	32,112	10,267,906	59	905	55	730	62	19.3%	13	25.3%	43	482	26
OGEMAW	286.7	30,402	7,565,681	64	802	75	643	74	19.8%	11	25.7%	41	380	56
ONTONAGON	100.8	30,761	2,737,592	78	835	72	734	61	12.1%	73	15.8%	81	282	80
OSCEOLA	351.2	31,434	9,894,905	60	886	58	738	60	16.7%	31	21.3%	68	427	45
OSCODA	86.6	28,135	2,233,783	81	725	80	616	77	15.1%	45	18.8%	78	276	81
OTSEGO	366.5	37,089	10,479,379	56	1,060	39	936	35	11.7%	75	21.0%	71	347	67
OTTAWA	5,173.2	47,737	170,406,125	7	1,572	6	1,379	6	12.3%	72	26.6%	35	490	22
PRESQUE ISLE	202.7	30,127	5,185,301	69	771	78	625	76	18.9%	16	21.9%	62	386	54
ROSCOMMON	364.0	31,023	8,597,308	63	733	79	585	79	20.2%	10	26.5%	36	348	66
SAGINAW	3,503.9	39,235	105,240,489	10	1,178	29	989	30	16.1%	36	28.0%	21	439	40
ST. CLAIR	3,196.8	42,646	101,600,527	11	1,355	17	1,150	17	15.1%	44	30.3%	13	470	32
ST. JOSEPH	1,012.1	37,940	29,285,337	31	1,098	36	927	36	15.5%	40	23.3%	56	473	31
SANILAC	636.9	32,761	18,741,654	38	964	53	702	70	27.2%	3	31.3%	9	703	3
SCHOOLCRAFT	121.1	32,305	3,298,940	75	880	62	778	54	11.6%	77	15.8%	80	266	82
SHIAWASSEE	1,334.5	38,884	41,016,445	26	1,195	27	1,018	26	14.8%	50	27.0%	29	458	38
TUSCOLA	943.3	34,997	27,223,112	34	1,010	47	758	59	24.9%	5	26.7%	31	818	2
VAN BUREN	1,284.7	38,676	40,443,789	27	1,218	26	1,018	28	16.4%	33	29.3%	16	489	24
WASHTENAW	8,034.4	58,231	270,606,598	5	1,961	2	1,676	3	14.5%	54	34.9%	5	605	7
WAYNE (including Detroit)	34,201.4	41,886	1,076,598,786	2	1,318	20	1,019	25	22.7%	7	41.4%	1	524	15
WEXFORD	481.3	33,341	14,118,009	46	978	52	820	49	16.2%	34	27.7%	24	383	55
OUTSIDE OF MICHIGAN	21,128.3	136,225	181,643,243		1,171		1,047		10.6%		10.8%		565	
DETROIT	13,142.1	34,936	397,826,378		1,058		754		28.7%		44.6%		449	
TOTALS	\$213,455.2	\$48,450	6,333,623,394		\$1,438		\$1,205		16.2%		31.3%		518	

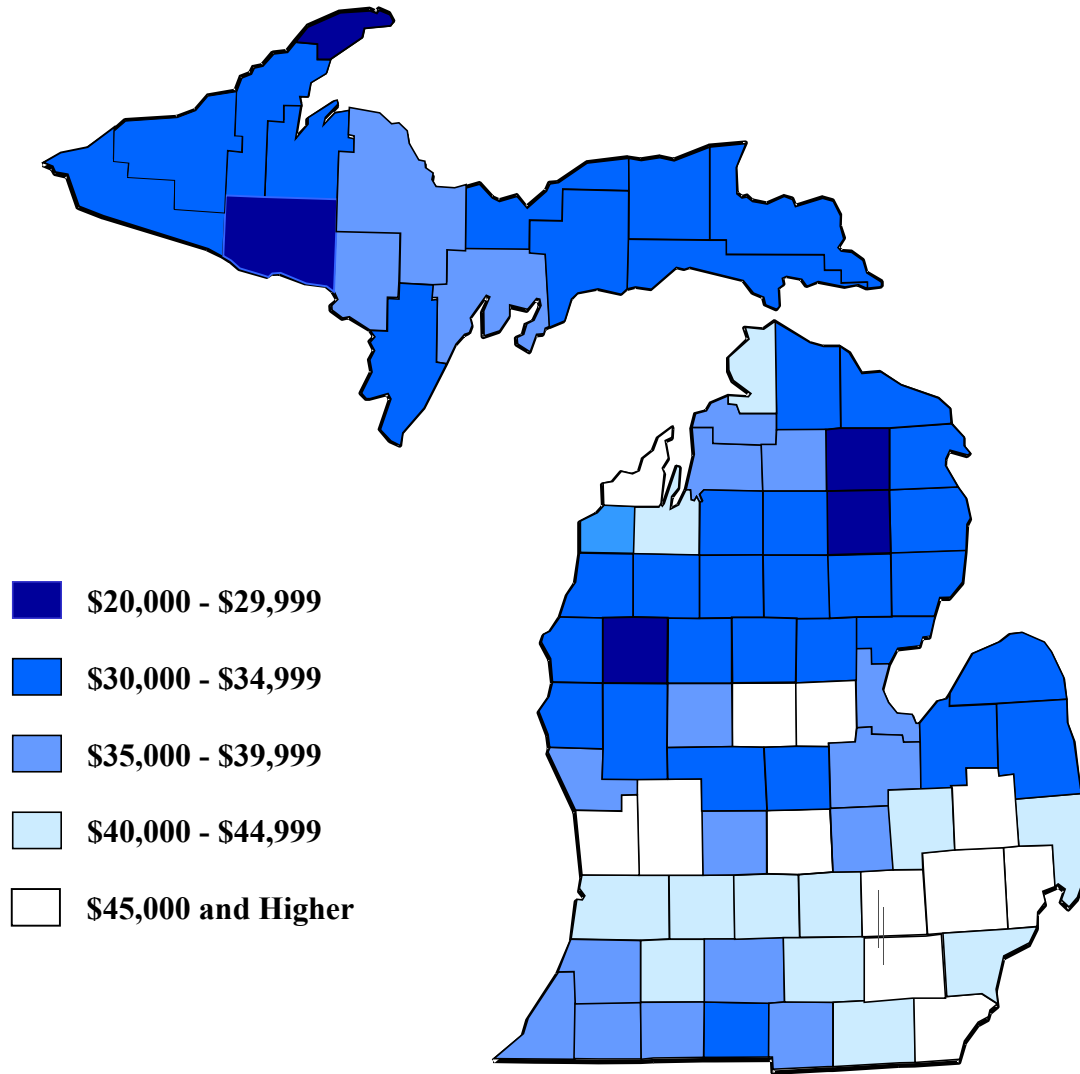
⁽¹⁾Includes credits for blind/deaf, paraplegic, quadriplegic, and totally disabled persons.

Exhibit 23
Average Annual Individual Income Tax Rates

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1968	2.60%	1991	4.60%
1969	2.60%	1992	4.60%
1970	2.60%	1993	4.60%
1971	3.14%	1994	4.47%
1972	3.90%	1995	4.40%
1973	3.90%	1996	4.40%
1974	3.90%	1997	4.40%
1975	4.37%	1998	4.40%
1976	4.60%	1999	4.40%
1977	4.60%	2000	4.20%
1978	4.60%	2001	4.20%
1979	4.60%	2002	4.10%
1980	4.60%	2003	4.00%
1981	4.60%	2004	3.95%
1982	5.10%		
1983	6.35%		
1984	5.85%		
1985	5.33%		
1986	4.60%		
1987	4.60%		
1988	4.60%		
1989	4.60%		
1990	4.60%		

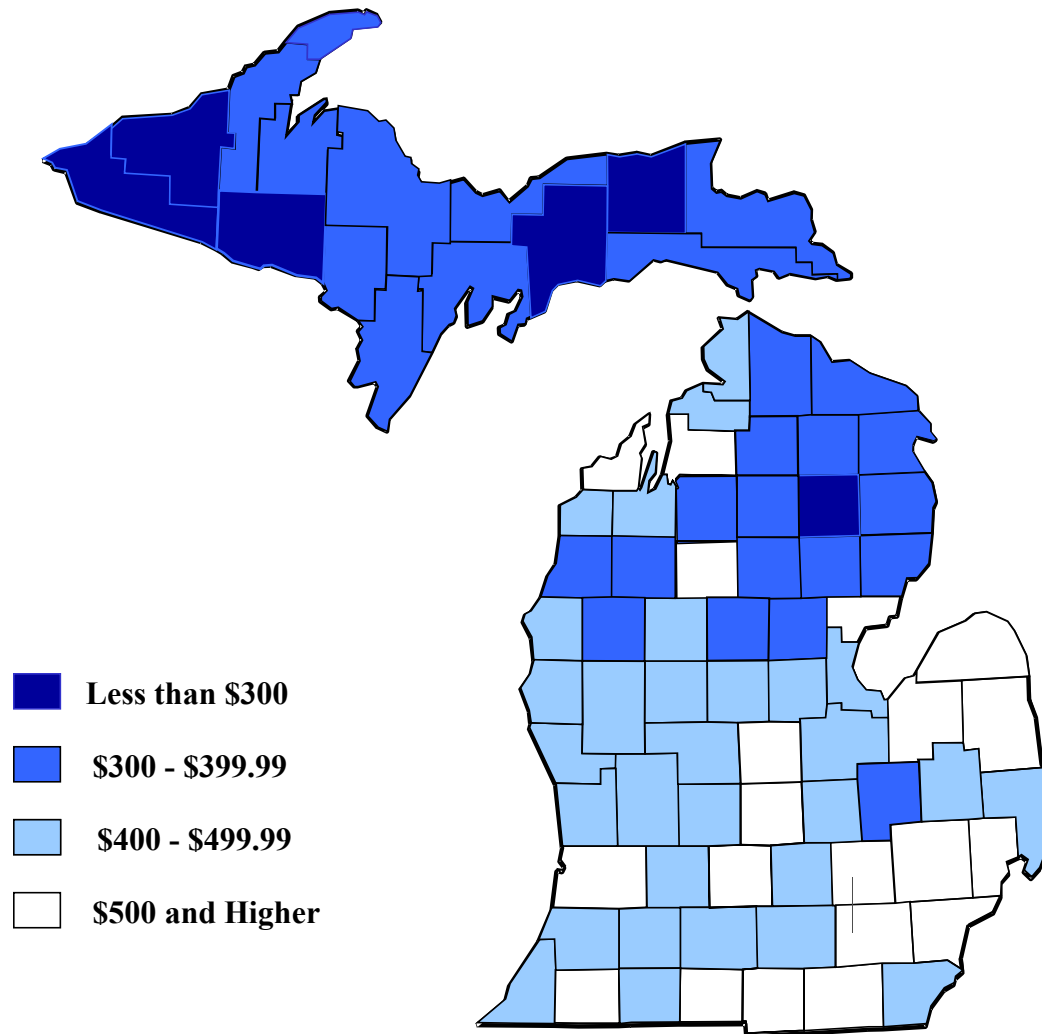
Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 24
Average Adjusted Gross Income by County
2002



Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 25
Average Property Tax Credits by County
2002



Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 26
Growth in Michigan Income
2001 – 2002
(thousands)

	<u>2001</u>	<u>2002</u>
Labor Earnings		
Wage and salary disbursements	\$173,298,976	\$173,528,670
Other labor income	20,859,840	22,103,727
Proprietors' income	<u>17,795,796</u>	<u>18,928,344</u>
Total labor earnings	<u>\$211,954,612</u>	<u>\$214,560,741</u>
Adjustments		
Personal contributions for social insurance	-\$13,009,996	-\$13,378,107
Adjustment for residence	<u>939,197</u>	<u>1,147,893</u>
Total adjustments	<u>-\$12,070,799</u>	<u>-\$12,230,214</u>
Net Michigan labor earnings	\$199,883,813	\$202,330,527
Dividends, interest, and rent	\$54,115,652	\$54,383,962
Transfer payments	<u>42,480,932</u>	<u>47,030,939</u>
Michigan Personal Income	\$296,480,397	\$303,745,428

Source: Bureau of Economic Analysis, U.S. Department of Commerce.